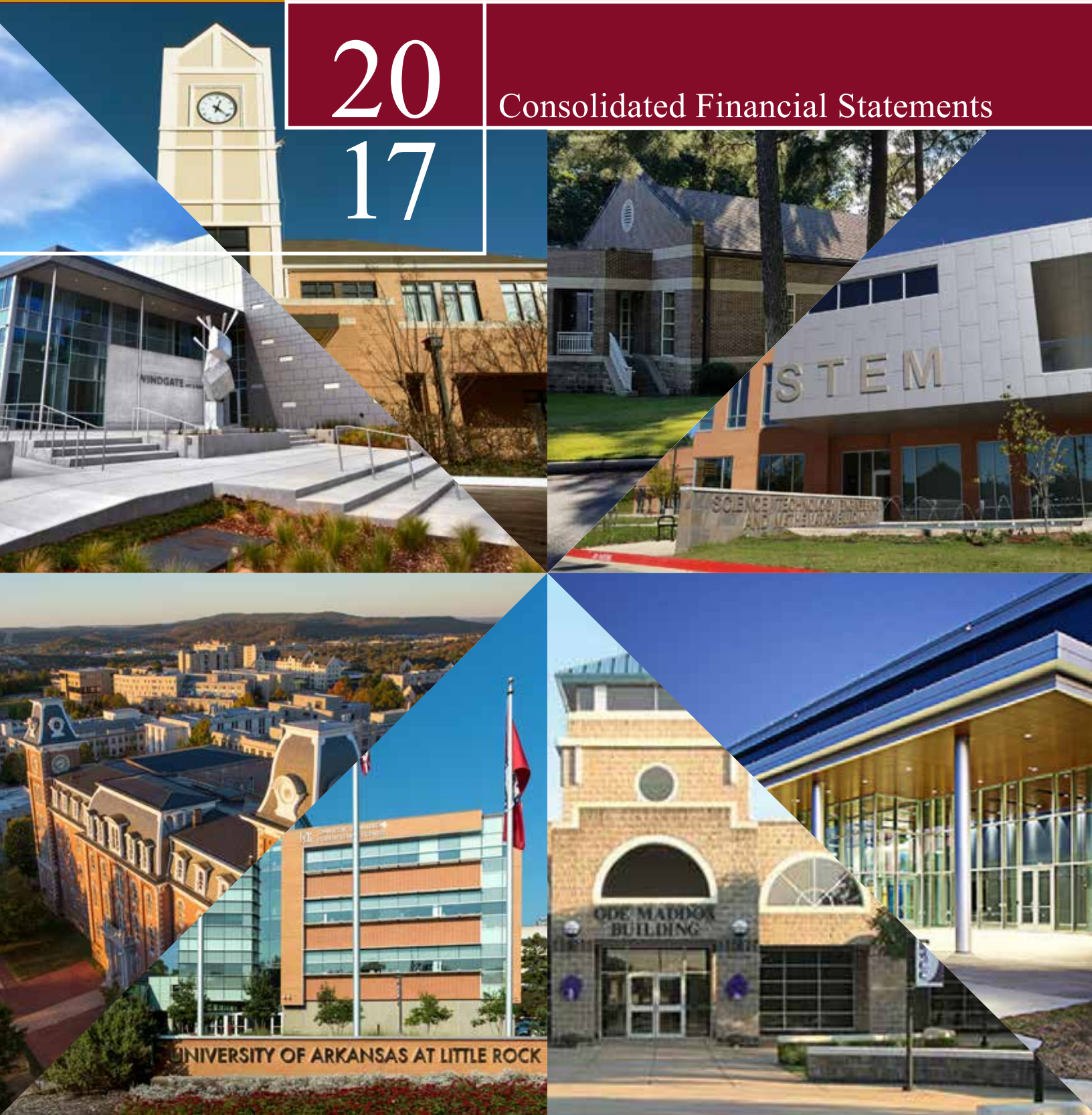


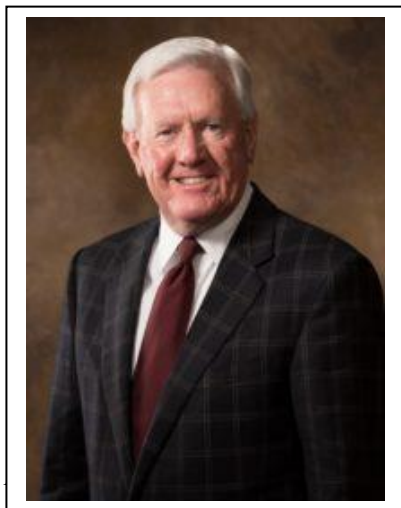
UNIVERSITY OF ARKANSAS SYSTEM

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Consolidated Financial Statements



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Table of Contents

Board of Trustees & Administrative Officers	Inside Front Cover
Letter of Transmittal	2
Independent Auditor's Report	3
Management's Discussion & Analysis	5
Consolidated Financial Statements	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Discretely Presented Component Units	
University of Arkansas Foundation, Inc.	23
University of Arkansas Fayetteville Campus Foundation, Inc.	23
Campus Financial Statements	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Net Position	28
Statement of Cash Flows	30
Notes to Financial Statements	34
Required Supplementary Information	109
Supplemental Information - Campuses & Affiliates	115
Campus Administrators	Inside Back Cover



December 7, 2017

Board of Trustees and
President Donald R. Bobbitt:

It is my pleasure to transmit to you the Audited Financial Statements of the University of Arkansas System for the fiscal year ended June 30, 2017. The data presented, including the Management's Discussion and Analysis, Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows, are presented on a consolidated basis and include all components of the System: UAF (University of Arkansas, Fayetteville, including the Division of Agriculture, Arkansas Archeological Survey, Criminal Justice Institute, and Clinton School of Public Service), UAFS (University of Arkansas at Fort Smith), UALR (University of Arkansas at Little Rock), UAMS (University of Arkansas for Medical Sciences), UAM (University of Arkansas at Monticello), UAPB (University of Arkansas at Pine Bluff), CCCUA (Cossatot Community College of the University of Arkansas), PCCUA (Phillips Community College of the University of Arkansas), UACCB (University of Arkansas Community College at Batesville), UACCH (University of Arkansas Community College at Hope), UACCM (University of Arkansas Community College at Morrilton), UAPTC (University of Arkansas Pulaski Technical College), UACCRM (University of Arkansas Community College at Rich Mountain), ASMSA (Arkansas School for Mathematics, Sciences and the Arts), and SYSTEM (University of Arkansas System Administration, including University of Arkansas System eVersity).

These statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements used to prepare the consolidated report, except for the Medical Sciences campus and the discretely presented component units, were audited by Arkansas Legislative Audit. The financial statements from the Medical Sciences campus were audited by KPMG LLP. The consolidated financial statements received an unmodified audit opinion.

A handwritten signature in black ink, reading 'Gina T. Terry'.

Gina T. Terry, CPA, CGMA
Chief Financial Officer



Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Lance Eads
Senate Vice Chair



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Rep. Richard Womack
House Chair
Rep. Mary Bentley
House Vice Chair

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas System
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the University of Arkansas System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas for Medical Sciences, a unit of the System, whose statements reflect total assets and revenues constituting 30% and 50%, respectively, of the related combined totals. Additionally, we did not audit the financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc., which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas for Medical Sciences, the University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus Foundation, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 14, 2016. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows – Direct Method – by Campus are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows – Direct Method – by Campus are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows – Direct Method – by Campus are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
November 14, 2017
EDHE14117

Introduction

The University of Arkansas System ("the University") is pleased to present its financial statements for the fiscal years ended June 30, 2017 and 2016, with comparative statements for the fiscal year ended June 30, 2015.

The University of Arkansas System ("the University"), which prior to 1969 consisted of the Fayetteville and the Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College) and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute and Great Rivers Technical Institute merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts, a residential high school, joined the University on January 1, 2004. On February 1, 2017, Pulaski Technical College and Rich Mountain Community College joined the University becoming the University of Arkansas-Pulaski Technical College and the University of Arkansas Community College at Rich Mountain. In addition to these campuses, the University includes the System Administration, whose

financial statements include eVersity, and the following units that are included in the financial statements of the Fayetteville campus: Clinton School of Public Service, Division of Agriculture (Agricultural Experiment Station and the Cooperative Extension Service), Arkansas Archeological Survey, and Criminal Justice Institute.

All programs and activities of the University of Arkansas are governed by its ten member Board of Trustees who are appointed by the Governor for ten-year terms, which has delegated to the President the administrative authority for all aspects of the University's operations. Administrative authority is further delegated to the Chancellors, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the Criminal Justice Institute, the Director of Arkansas Archeological Survey, and the Director of the Arkansas School for Mathematics, Sciences and the Arts, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

Overview of the Financial Statements and Financial Analysis

The University's financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows. The financial statements included are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. This discussion has been

prepared by management and should be read in conjunction with the financial statements and notes following this section.

The University has identified two legally separate foundations, the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc., that meet the criteria set forth for component units. These foundations provide financial support for the objectives, purposes, and programs of the University. Although the University does not control the timing, purpose or amount received by these Foundations, the resources (and income thereon) they hold and invest are dedicated to benefit of the University. Because these resources held by the foundations can only be used by, or for the benefit of, the University, and are deemed material, they are considered component units and are discretely presented in the financial statement report. Additional information about component units is provided in Note 1.

Statements of Net Position

The Statement of Net Position provides a fiscal snapshot of the University as of the end of the fiscal year. All assets (property that we own and what we are owed by others), deferred outflows of resources (consumption of net position by the University that is applicable to a future reporting period), liabilities (what we owe to others and have collected from others before we have provided the service), deferred inflows of resources (acquisition of net position by the University that is applicable to a future

reporting period), and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) are reported in this statement. Assets and liabilities are presented in the order of their relative liquidity, and are identified as current or noncurrent. Current assets are those assets that can be realized in the coming year, and current liabilities are expected to be paid within the next year. Noncurrent assets and liabilities are not expected to be realized as cash or paid in the subsequent year. Assets, deferred outflows of resources, liabilities and deferred inflows of resources are generally measured using current values. One exception is capital assets, which are stated at historical cost less accumulated depreciation.

Net position is divided into three major categories. The first category, invested in capital assets, net of related debt, reflects the equity in property, plant and equipment owned by the University. The next category is restricted net position which is divided into two subcategories, expendable and nonexpendable. The expendable category is available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources is only available for investment purposes. The final category is unrestricted net position which is available for any lawful purpose of the University.

UNIVERSITY OF ARKANSAS SYSTEM: Management's Discussion and Analysis

Condensed Statements of Net Position

	June 30, 2017	June 30, 2016	June 30, 2015
ASSETS			
Current assets	\$ 1,069,894,334	\$ 939,734,038	\$ 838,908,655
Capital assets, net	2,724,223,833	2,597,819,427	2,635,668,882
Other assets	486,050,598	364,904,664	365,522,423
Total Assets	4,280,168,765	3,902,458,129	3,840,099,960
DEFERRED OUTFLOWS OF RESOURCES	64,063,832	47,107,697	29,707,312
LIABILITIES			
Current liabilities	352,818,138	314,934,530	285,882,339
Noncurrent liabilities	1,651,150,138	1,426,606,316	1,435,852,495
Total Liabilities	2,003,968,276	1,741,540,846	1,721,734,834
DEFERRED INFLOWS OF RESOURCES	5,953,926	8,700,386	13,720,266
NET POSITION			
Net Investment in Capital Assets	1,408,755,133	1,370,245,568	1,364,040,122
Restricted			
Non-Expendable	74,648,862	68,562,622	68,427,641
Expendable	310,847,885	248,978,971	258,870,691
Unrestricted	540,058,515	511,537,433	443,013,718
Total Net Position	\$ 2,334,310,395	\$ 2,199,324,594	\$ 2,134,352,172

The University's total assets increased \$377.7 million, or 9.7%. This increase is partially due to the addition of two new campuses whose total assets at the end of 2017 totaled \$155.5 million. Cash and cash equivalents decreased \$121.5 million offset by an increase in investments of \$257.9 million. UAF moved \$190.0 million to investments, UAMS moved \$21.4 million and UALR moved \$30 million. UAPTC and UACCRM have \$6.7 million at the end of fiscal 2017. Deposits Held in Trust increased by \$101.5 million of which UAF comprised \$78.6 million and UAM \$13.3 million which represent unspent bond proceeds from recent bond issues. Other campuses had additional increases and the addition of UAPTC who had \$5.7 million at year-end. Capital assets increased \$126.4 million net of accumulated depreciation. The increase

is partially due to the addition of the two new campuses that had \$108.4 million in capital assets at the end of the year. Also included in capital assets is construction in progress which increased by \$21.0 million during 2017, including the stadium construction in Fayetteville.

Deferred outflows of resources consist of deferred amounts on refinancing of debt and deferred amounts related to pensions. Overall, deferred outflows increased \$17.0 million, or 36.0%. Deferred outflows related to pensions increased \$16.4 million as a result of actuarially determined amounts. The newly merged campuses represented \$5.2 million of the total for pensions that would not have been included in the prior year.

Total liabilities increased \$262.4 million, or 15.1%. UAPTC and UACCRM had total liabilities of \$114.9 million at year-end. Estimated third party payor settlements related to the Medicare and Medicaid programs at UAMS increased \$17.8 million from the prior year. Accounts payable and other accrued liabilities increased \$27.6 million. The liability for bonds, notes, capital leases and installment contracts increased \$173.6 million, of which UAPTC and UACCRM represent \$92.9 million of the increase from last year. The remainder of the increase is due to new debt issued at UAF of \$120.0 million and UAM of \$14.7 million. UAFS had a refunding of previously issued bonds that totaled \$22.2 million. Notes and capital lease borrowings increased by \$26.8 million primarily at UAPB, UAMS and UACCB. The additional debt is offset by a total of \$105.2 in repayments during fiscal 2017. The pension liability increased \$35.3 million as a result of actuarially determined amounts. UAPTC and UACCRM represented \$16.7 million of the increase from the prior year. The liability for future insurance claims decreased by \$3.2 million and is due to the UA Health Plan experiencing an overall plan loss ratio of 90% compared to a loss ratio of 93% in the previous fiscal year (Note 13).

Deferred inflows of resources related to pension plans decreased \$2.8 million, or 31.6%, as a result of actuarially determined amounts. That amount is offset by the increase of adding UAPTC and UACCRM with balances of deferred inflows of resources related to pension plans of \$1.1 million at year-end.

The increase in net position was \$135 million, or 6.1%. The beginning net position for the two merged campuses, UAPTC and UACCRM was \$46.3

million and the remaining amount of \$88.7 million is the result of 2017 revenues, expenses and changes in net position. Net investments in capital assets increased \$38.5 million with the mergers accounting for \$16.3 million, UAF for \$13.1 million and the remainder scattered among other campuses. Restricted net position, expendable and non-expendable, increased \$68.0 million with UAF representing \$31.8 million, UAMS \$12.3 million and UALR \$11.3 million. UAPTC had \$8.3 million in restricted net position at year-end and the remainder represents the rest of the campuses. Unrestricted net position increased \$28.5 million with the addition of the merged campuses adding \$20.9 million, UAF adding \$21.8 million, System adding \$17.7 million, UAFS adding \$6.3 million, and UALR adding \$4.3 million. These increases were offset by UAMS decreasing \$35.6 million and UAPB decreasing \$9.8 million. The net remaining increase of \$2.9 million represents the net change for the rest of the campuses. Although unrestricted net position is not subject to externally-imposed restrictions, the majority of the University's unrestricted net position is subject to internal designations to meet various specific commitments. These commitments include reserves established for future capital projects, other academic or research priorities; working capital for self-supporting auxiliary enterprises; and reserves for the continued recognition of OPEB and pension obligations.

UNIVERSITY OF ARKANSAS SYSTEM: Management's Discussion and Analysis

Statements of Revenues, Expenses and Changes in Net Position

Changes in total net position, as presented on the Statement of Net Position, is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the revenues earned by the University, both operating and non-operating, and the expenses incurred by the University, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University. Operating revenues are

received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided. In accordance with GASB standards, significant recurring sources of University revenue such as state appropriations, gifts, investment income and certain grants and contracts are reported as non-operating revenues.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Operating revenues			
Student tuition and fees	\$ 379,908,656	\$ 339,492,237	\$ 309,858,306
Net patient services	1,186,364,000	1,176,856,000	1,021,183,000
Grants and contracts	305,234,008	268,429,502	307,119,574
Auxiliary enterprises	221,654,753	214,263,905	186,947,910
Other	204,772,534	192,410,829	145,411,981
Total operating revenues	2,297,933,951	2,191,452,473	1,970,520,771
Operating expenses			
Compensation and benefits	1,668,589,914	1,555,156,358	1,499,840,271
Supplies and services	851,807,551	793,383,878	702,207,626
Other	416,088,162	403,526,825	414,384,282
Total operating expenses	2,936,485,627	2,752,067,061	2,616,432,179
Operating Loss	(638,551,676)	(560,614,588)	(645,911,408)
Non-operating revenues and expenses			
State appropriations	443,698,581	402,577,620	411,402,231
Grants	148,624,103	133,921,012	138,720,480
Gifts	98,609,383	103,423,775	91,207,792
Other revenue	53,366,271	14,546,338	29,160,490
Non-operating expenses	(50,842,024)	(43,334,902)	(48,285,292)
Non-operating income	693,456,314	611,133,843	622,205,701
Income (Loss) before other revenues and expenses	54,904,638	50,519,255	(23,705,707)
Other revenues and expenses			
Capital grants and gifts	40,864,347	13,369,683	53,841,730
Other, net	(7,104,726)	1,083,484	519,411
Other revenues and expenses	33,759,621	14,453,167	54,361,141
Increase in Net Position	88,664,259	64,972,422	30,655,434
Net Position, beginning of year	2,199,324,594	2,134,352,172	2,143,972,486
Mergers with UAPTC and UACCRM/(Pension effect)	46,321,542	-	(40,275,748)
Net Position, beginning of year, as restated	2,245,646,136	2,134,352,172	2,103,696,738
Net Position, end of year	\$ 2,334,310,395	\$ 2,199,324,594	\$ 2,134,352,172

The 2017 operating loss of \$638.6 million highlights the University's dependence on non-operating revenues, including state appropriations, to meet the costs of operations and provide funds for the acquisition of capital assets.

Operating revenue increased \$106.5 million, or 4.9%. Net student tuition and fees increased \$40.4 million, reflecting increases for UAF of \$17.6 million and the newly merged campuses not included in 2016, of \$12.6 million, and the remainder spread through the rest of the campuses. Grants and contracts increased \$36.8 million, of which UAF increased \$23.2 million, UAMS increased \$1.6 million, and the newly merged campuses had \$7.0 million not in the prior year total. Auxiliary enterprises increased \$7.4 million with UAF Athletics increasing \$5.3 million and the remaining UAF auxiliaries increasing \$1.8 million due to enrollment growth. Net patient services increased \$9.5 million or .8% at UAMS due to increases in inpatient and outpatient volumes. Other operating revenue increased \$12.4 million, including \$5.6 million in Insurance plan revenues due to increased premiums and two campuses joining the plan. UAMS had an increase of \$7.7 million from increased contractual pharmacy activity.

Total operating expenses increased \$184.4 million, or 6.7%. Compensation and benefits increased \$113.4 million, or 7.3% increase, over the previous year. The largest portion of this was at UAMS with \$59.3 million, or 6.4%, due to increased staffing for patient volume increases. UAF increased \$19 million due in part to support enrollment growth along with increases in salaries for faculty and staff; and \$33.2 million for the mergers with UAPTC and UACCRM whose compensation and

benefits amount were not reflected in the 2016 number. The cost of supplies and services increased \$58.4 million, of which \$41.5 million is attributable to UAMS, UAF increased \$4.7 million and the newly merged campuses had supplies and services of \$12.1 million with no corresponding amount in 2016. The increase at UAMS was due to increases in medical supplies, primarily for a higher surgery volume, and drugs and medicines for patient care. Scholarships and fellowships increased \$3.6 million, and depreciation increased \$9.1 million with most of those increases due to the newly merged campuses.

Net non-operating revenues increased by \$82.3 million, or 13.5%. State appropriations increased \$41.1 million due to an increase at UAMS of \$23.4 million, due to lower Medicaid match payments which net against gross state appropriations, and the newly merged campuses which had \$20.8 million not included in the comparative numbers for 2016. Investment income increased \$38.1 million due to improved market performance. Non-operating grants increased \$14.7 million, net, with the newly merged campuses adding \$18 million offset from decreases at other campuses. Interest and fees on capital asset-related debt increased \$4.6 million due to the newly merged campuses existing debt. Loss on disposal of assets increased by \$2.9 million due to UAF's demolition of a structure as part of the athletic stadium expansion project.

Other changes in net position increased \$19.3 million, or 133.6%. Capital grants and gifts increased \$27.5 million due to the \$17.4 million to UALR for the Windgate building, and \$14.4 million for UAF athletic facilities donations. The pollution remediation costs totaled \$9.6 million at UAF during 2017.

Gifts reported reflect only a portion of the gifts available to the University. Most gifts for the benefit of the University are made to the University of Arkansas Foundation, whose financial information is presented in Note 1.

Statements of Cash Flows

The Statement of Cash Flows provides information about the cash activity of the University during the year. The statement is divided into five parts. The first part shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. The third section deals with cash flows from capital and related activities, such as the acquisition and construction of capital assets and proceeds from, and payment of, debt. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from these activities. The fifth section, not shown in the condensed statement below, reconciles the net cash used by operating activities to the net operating

income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. This statement aids in the assessment of the University's ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow.

Similar to the operating loss on the Statement of Revenues, Expenses, and Changes in Net Position, net cash used in operating activities does not reflect all resources available to the University because generally accepted accounting principles require state appropriations, gifts and grants to be reported as nonoperating financing activities. The net cash provided by the combination of operating and noncapital financing activities is a better depiction of the results achieved for the year. The net cash for 2017 is \$279.5 million, an increase of \$15 million over the prior year. The changes are explained in the discussion in relation to the Statements of Revenues, Expenses and Changes in Net Position.

Condensed Statements of Cash Flows

	Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Cash provided (used) by:			
Operating activities	\$ (422,406,834)	\$ (420,035,775)	\$ (442,946,388)
Noncapital financing activities	701,949,112	684,549,963	658,896,460
Net cash	279,542,278	264,514,188	215,950,072
Capital and related financing activities	(213,630,820)	(217,420,081)	(171,988,433)
Investing activities	(214,558,873)	48,395,650	(25,032,258)
Net change in cash	(148,647,415)	95,489,757	18,929,381
Cash, beginning of year	556,103,255	460,613,498	441,684,117
Mergers with UAPTC and UACCRM	27,165,404	-	-
Cash, beginning of the year, restated	583,268,659	460,613,498	441,684,117
Cash, end of year	\$ 434,621,244	\$ 556,103,255	\$ 460,613,498

Purchases of capital assets and repayments of long-term debt exceeded debt proceeds and capital grants and gifts during 2017 which was consistent with the previous year. Purchases of investments exceeds the proceeds from sales and maturities of investments in the current year which was different than last year. The University shifted cash to investments during the year resulting in a decrease in cash of \$148.6 million.

Capital Assets and Long-Term Debt Activity

At June 30, 2017, the University had \$2.7 billion of capitalized assets, net of accumulated depreciation of \$2.5 billion. Capital additions in 2017 totaled \$204.5 million which was offset by depreciation of \$187.2 million, net of transfers and deletions, resulted in a net increase in capital assets of \$126.4 million. The newly merged campuses added \$108.4 million from the 2016 balances.

New debt issued for bonds, notes, and capital leases offset by payments of principal was a net increase of \$173.6 million in debt for 2017. That increase includes \$92.9 million related to the newly merged campuses not included in the prior year. The University issued a total of \$156.9 million in bonds, with 77% of that amount representing new issues for the Fayetteville campus. More detailed information about debt activity was discussed previously and is presented in Note 8.

Economic Outlook

The University's net position increased \$88.7 million for 2017. Moody's last reaffirmed the University's rating of Aa2 with a stable outlook on August 14, 2017. One of the University's greatest strengths is the diverse stream of

revenue which funds its operations, including tuition, patient services revenue, state appropriations, investment income, grants and contracts, and support from individuals, foundations, and corporations. Because the Fayetteville campus and the Medical Sciences campus account for 73.2% of total net position and 87.9% of operating revenues, discussion below is centered on these two campuses.

UAMS

UAMS' financial performance in 2017 exceeded budget expectations. The decrease in net position of \$19.9 million represents a \$3.8 million improvement over initial budget projections for the year. While the better than expected result can be attributed to investment gains as compared to 2016, UAMS continued to experience revenue growth in its clinical operations. Unfortunately, the increased volumes resulted in higher than anticipated costs in patient care staffing and supplies.

UAMS anticipates a further decline in net position of \$39.2 million based on their budget. Growth in clinical operations is budgeted at 6.7%, as well as growth in federal and state contracts, but increased operating and capital costs are expected and will offset these revenue gains. Two major factors contributing include the phased implementation of a new compensation plan to bring UAMS staff salary levels to more competitive levels to increase employee retention and the decision to make infrastructure improvements in facilities and information technology. On-going state funding is expected to remain flat or decline in the next few years.

The State of Arkansas has made changes to its Arkansas Works program that will

become effective January 2018 and will likely have a financial impact on UAMS. The first is to shift currently eligible participants, who are within 100–138% of the federal poverty level, from the Arkansas Works program to the state's health insurance exchange program, which is available to all Arkansans. The second change is to include a work requirement for those remaining on the Medicaid expansion program, though there will be expected exemptions for the young, disabled, and elderly. The state estimates that the change in eligibility based on percentage above poverty level alone will reduce participation in the Arkansas Works program by some 60,000 individuals, or roughly 20%, of the currently enrolled population. It is difficult to know how many of these affected individuals have been, or would be, receiving clinical services from UAMS. However, because UAMS currently treats a disproportionately large number of Medicaid patients, management does anticipate some impact on UAMS finances.

UAMS will be launching two major initiatives this year in partnership with other healthcare providers in the state. Both initiatives are designed to give UAMS experience with population health management and expose UAMS to risk-based models of payment reimbursement likely to become the predominant form of payment reimbursement in the future. The Provider-owned Arkansas Shared Savings Entity approach, or PASSE, was established by state law in 2017 as a means to manage Medicaid costs for eligible individuals with behavioral health issues and developmental disabilities. UAMS will be an equity partner with Baptist Health (headquartered in Little Rock), Arkansas

Children's Hospital, and Arkansas Blue Cross and Blue Shield in a PASSE organization that, if chosen by the state to serve this population, will be eligible to share in savings generated by the program, but also to share in any associated risks. The potential gains or losses for the first few years of the program are modest. Much depends on how many other PASSEs are approved by the state and how many eligible patients are attributed to the PASSE organization UAMS is joining. It is expected that the program will be expanded to other disease or illness groups in future years.

In addition, UAMS, in collaboration with Baptist Health, is forming an accountable care organization (ACO) under rules established by the Centers for Medicare and Medicaid Services (CMS) for Medicare Shared Savings Programs (MSSP). UAMS and Baptist Health will share in any savings generated for the treatment of Medicare patients attributed to the ACO, but will also share in any losses if costs exceed current baseline amounts. Like the PASSE program, it is designed to improve quality of care, increase patient satisfaction, and reduce costs, but, for providers under the risk model, there is financial loss risk as well. Also, as with the PASSE program, UAMS will gain experience moving to a population health management model under a valued based purchasing reimbursement mechanism.

With both initiatives, there is opportunity for some additional gain, but also a degree of uncertainty as to the financial impact. As UAMS enters these new collaborations, there will be greater need for UAMS to continue its commitment to reducing costs while enhancing quality, patient satisfaction,

and overall efficiency of operations. Savings and performance improvement initiatives started during the last few years, such as the decision to adopt a service line strategy and integrate clinical operations, to join a new major group purchasing consortium, to streamline contract management, research administration, and many other services should begin to produce real and lasting savings for UAMS.

In summary, the economic outlook for UAMS is stable, but will require a continuing commitment to cost savings initiatives and improving performance, especially with respect to its clinical operations.

UAF

Financial and political support from state government remains a critical element to the continued financial health of the UAF. In 2017, the total general revenue distribution from the State, which is a portion of the state appropriation revenue, remained virtually flat at \$202.6 million. Estimates for 2018 indicate general revenue distributions from the State will remain flat, with no significant increase or decrease. Management will continue to institute both internal and external efforts to maximize the state resources available, while seeking ways to minimize the effect of state funding levels not keeping pace with growth.

The new productivity-based funding model for state-supported higher education institutions provides that the Arkansas Department of Higher Education will develop and implement a model that will contain measures for effectiveness, affordability and efficiency. It is expected that the model will be in place to determine funding recommendations for the 2018-19

academic year. The campus does not anticipate any short-term reduction of support due to this new funding policy.

UAF has diverse revenue sources, including state appropriations, tuition and fees (net of scholarship allowances), private support and sponsored grants and contracts that all contribute to support the mission of teaching, research and service. Tuition and mandatory fee increases totaling 2.5% for resident and 6.0% for nonresident students, respectively, were necessary in 2017 in order to maintain the facilities, faculty and other support needed to fulfill that mission. As record growth in enrollment continues, the campus must continue to look to increases in tuition rates for revenue support as well as grow other revenue streams.

Campaign Arkansas is an eight-year comprehensive fundraising effort focused on advancing academic opportunity at the campus. The goal of the campaign is to raise \$1 billion by 2020. All colleges and schools on campus, as well as many other units, will benefit from the fundraising effort. The campaign is critical to the university's future and efforts to keep tuition affordable while enhancing academic opportunities for faculty and students. Funds raised will support scholarships and fellowships, endowed chairs, capital projects, interdisciplinary academic programs and other priority areas that will advance the campus's goals and objectives. Campaign Arkansas had raised \$657.1 million at the close of 2017. In September 2017, the campaign received a major boost with a \$120 million dollar gift to fund the School of Art.

Positive news continues with the UAF fundraising production totals for private

gift support for 2017 being the third-best year in their history. Production amounts include gifts of cash, gifts-in-kind, planned gifts and new pledges. In 2017, the campus recognized \$134.2 million of private gift support, surpassing its goal of \$125 million. Support received from alumni, friends, organizations and faculty and staff of UAF enhances all aspects of the student experience, including academic and need-based scholarships; technology enhancements; new and renovated facilities; undergraduate, graduate and faculty research; study abroad opportunities and innovative programs.

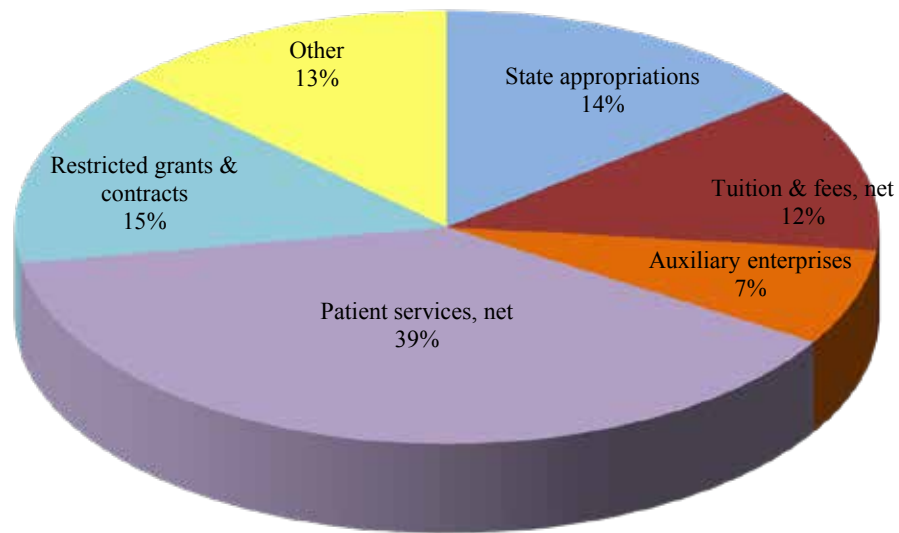
All Campuses

Financial support from state government for all campuses remains a critical element to the continued financial health of the University. Arkansas appears to have successfully weathered the effects of the national economic crisis, as general revenue forecasts are positive and the state budget remains balanced. Management will continue to budget conservatively and to emphasize cost containment.

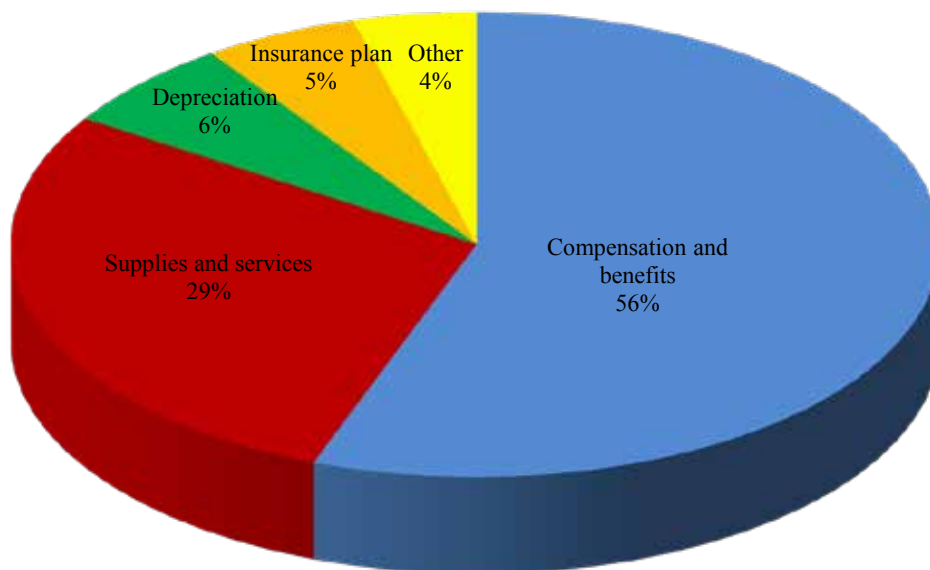
Preliminary data shows that while the headcount number of students has remained essentially flat from the fall semester of 2013 to the fall semester of 2017, the number of full-time equivalent students has increased almost 2% from 49,841 to 50,698.



2017 Revenues \$3.086 Billion



2017 Expenses \$2.997 Billion





FIVE YEAR SUMMARY OF KEY STUDENT DATA

Enrollment					
Fall Semester	2017*	2016	2015	2014	2013
Undergraduate Students (Headcount)	60,283	53,797	53,295	52,990	53,792
Graduate Students (Headcount)	9,385	9,503	9,469	9,119	9,071
Total	69,668	63,300	62,764	62,109	62,863
Undergraduate Students (FTE)	47,700	43,358	43,085	42,949	43,760
Graduate Students (FTE)	6,332	7,340	6,554	6,361	6,348
Total	54,032	50,698	49,639	49,310	50,108

Degrees Awarded					
Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Certificates	4,007	2,331	2,369	2,034	1,928
Associate	2,965	2,016	2,226	2,144	1,863
Baccalaureate	7,654	7,774	7,399	7,046	6,281
Post-Baccalaureate	168	85	144	128	118
Master's	2,097	2,074	2,023	1,912	2,032
Doctoral	249	273	263	246	264
First Professional	548	535	525	544	549
Total	17,688	15,088	14,949	14,054	13,035

*Preliminary Data Reported by Institutions



UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Net Position June 30, 2017 with comparative figures at June 30, 2016

	June 30, 2017	June 30, 2016
ASSETS		
Current		
Cash and cash equivalents	\$ 408,821,233	\$ 527,905,731
Investments	337,519,972	111,002,905
Accounts receivable, net of allowances of \$22,575,583 and \$19,396,229	111,600,743	97,751,072
Patient accounts receivable, net of allowances of \$331,482,000 and \$404,672,000	140,785,000	144,828,000
Inventories	32,910,089	31,721,097
Deposits and funds held in trust by others	13,097,448	2,546,988
Notes receivable, net of allowances of \$673,023 and \$725,295	6,130,423	5,858,294
Other assets	19,029,426	18,119,951
Total current assets	<u>1,069,894,334</u>	<u>939,734,038</u>
Non-Current		
Cash and cash equivalents	25,800,011	28,197,524
Investments	286,145,732	254,715,826
Notes receivable, net of allowance of \$3,508,162 and \$3,612,455	33,574,689	34,228,279
Deposits and funds held in trust by others	138,106,567	47,203,641
Other non-current assets	2,423,599	559,394
Capital assets, net of depreciation of \$2,456,113,256 and \$2,255,534,685	<u>2,724,223,833</u>	<u>2,597,819,427</u>
Total non-current assets	<u>3,210,274,431</u>	<u>2,962,724,091</u>
TOTAL ASSETS	<u>\$ 4,280,168,765</u>	<u>\$ 3,902,458,129</u>
DEFERRED OUTFLOWS OF RESOURCES		
Debt refunding	\$ 31,421,073	\$ 30,866,887
Pensions	<u>32,642,759</u>	<u>16,240,810</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>64,063,832</u>	<u>47,107,697</u>
LIABILITIES		
Current		
Accounts payable and other accrued liabilities	\$ 172,268,600	\$ 144,682,862
Unearned revenue	48,152,951	48,892,014
Funds held in trust for others	4,668,863	5,725,842
Liability for future insurance claims (Note 13)	15,180,200	18,412,300
Estimated third party payor settlements	29,539,000	11,704,000
Compensated absences payable - current portion (Note 4)	6,253,570	6,492,345
Bonds, notes, capital leases and installment contracts payable - current portion (Note 8)	<u>76,754,954</u>	<u>79,025,167</u>
Total current liabilities	<u>352,818,138</u>	<u>314,934,530</u>
Non-Current		
Unearned revenues, deposits and other	797,738	630,453
Refundable federal advance - Perkins loans	16,610,676	16,568,836
Compensated absences payable (Note 4)	85,987,702	78,733,949
Liability for other postemployment benefits (Note 15)	68,680,550	62,779,374
Liability for pensions (Note 14)	78,661,053	43,401,224
Bonds, notes, capital leases and installment contracts payable (Note 8)	<u>1,400,412,419</u>	<u>1,224,492,480</u>
Total non-current liabilities	<u>1,651,150,138</u>	<u>1,426,606,316</u>
TOTAL LIABILITIES	<u>\$ 2,003,968,276</u>	<u>\$ 1,741,540,846</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	<u>\$ 5,953,926</u>	<u>\$ 8,700,386</u>
NET POSITION		
Net Investment in Capital Assets	\$ 1,408,755,133	\$ 1,370,245,568
Restricted		
Non-Expendable		
Scholarships and fellowships	12,815,850	12,240,580
Research	6,737,915	6,190,070
Other	55,095,097	50,131,972
Expendable		
Scholarships and fellowships	21,039,759	18,914,989
Research	66,371,352	58,145,321
Public service	18,764,469	17,124,824
Capital projects	159,003,246	121,306,579
Other	45,669,059	33,487,258
Unrestricted	<u>540,058,515</u>	<u>511,537,433</u>
TOTAL NET POSITION	<u>\$ 2,334,310,395</u>	<u>\$ 2,199,324,594</u>

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses, and Changes in Net Position For The Year Ended June 30, 2017 with comparative figures for 2016

	Year Ended June 30, 2017	Year Ended June 30, 2016
Operating Revenues		
Student tuition & fees, net of scholarship allowances of \$164,914,825 and \$146,466,438	\$ 379,908,656	\$ 339,492,237
Patient services, net of contractual allowances of \$1,792,176,000 and \$1,651,452,000	1,186,364,000	1,176,856,000
Federal and county appropriations	16,068,919	14,588,335
Federal grants and contracts	155,355,250	135,347,533
State and local grants and contracts	91,686,958	74,144,743
Non-governmental grants and contracts	58,191,800	58,937,226
Sales and services of educational departments	59,408,974	58,114,942
Insurance plan	51,649,212	49,636,512
Auxiliary enterprises		
Athletics, net of scholarship allowances of \$2,533,061 and \$2,242,886	111,514,319	105,097,147
Housing/food service, net of scholarship allowances of \$27,634,860 and \$27,693,725	77,477,554	75,640,113
Bookstore, net of scholarship allowances of \$787,586 and \$1,419,153	14,687,648	15,757,739
Other auxiliary enterprises, net of scholarship allowances of \$613,340 and \$341,881	17,975,232	17,768,906
Other operating revenues	77,645,429	70,071,040
Total operating revenues	<u>2,297,933,951</u>	<u>2,191,452,473</u>
Operating Expenses		
Compensation and benefits	1,668,589,914	1,555,156,358
Supplies and services	851,807,551	793,383,878
Scholarships and fellowships	67,847,355	64,246,520
Insurance plan	161,001,798	161,167,230
Depreciation	187,239,009	178,113,075
Total operating expenses	<u>2,936,485,627</u>	<u>2,752,067,061</u>
Operating loss	<u>(638,551,676)</u>	<u>(560,614,588)</u>
Non-Operating Revenues (Expenses)		
State appropriations, net of Medicaid match payments of \$80,742,000 and \$99,151,000	443,698,581	402,577,620
Property and sales tax	13,343,751	12,715,581
Federal grants	101,150,219	85,527,558
State and local grants	46,378,854	47,308,994
Non-governmental grants	1,095,030	1,084,460
Gifts	98,609,383	103,423,775
Investment income, net	38,223,625	160,945
Interest and fees on capital asset-related debt	(47,706,714)	(43,132,251)
Loss on disposal of assets	(3,135,310)	(202,651)
Other	1,798,895	1,669,812
Net non-operating revenues	<u>693,456,314</u>	<u>611,133,843</u>
Income before other revenues and expenses	<u>54,904,638</u>	<u>50,519,255</u>
Other Changes in Net Position		
Capital appropriations	903,920	2,169,838
Capital grants and gifts	40,864,347	13,369,683
Adjustments to prior year revenues and expenses	44,178	(87,207)
Extraordinary item-pollution remediation	(9,648,242)	-
Other	1,595,418	(999,147)
Total other revenues and expenses	<u>33,759,621</u>	<u>14,453,167</u>
Increase in net position	88,664,259	64,972,422
Net Position, beginning of year	2,199,324,594	2,134,352,172
Mergers with UAPTC and UACCRM (Note 24)	46,321,542	-
Net Position, beginning of year, restated	<u>2,245,646,136</u>	<u>2,134,352,172</u>
Net Position, end of year	<u>\$ 2,334,310,395</u>	<u>\$ 2,199,324,594</u>

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method For The Year Ended June 30, 2017 with comparative figures for 2016

	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	\$ 383,744,698	\$ 340,307,354
Patient and insurance payments	1,206,624,000	1,126,796,000
Federal and county appropriations	16,045,211	14,219,112
Grants and contracts	302,765,172	269,351,432
Collection of loans and interest	4,793,767	5,663,800
Insurance plan receipts	51,276,432	49,594,966
Auxiliary enterprise revenues:		
Athletics	111,088,466	104,156,350
Housing and food service	76,774,383	76,186,684
Bookstore	14,602,687	15,927,221
Other auxiliary enterprises	19,628,706	16,735,735
Payments to employees	(1,430,210,230)	(1,338,421,457)
Payments of employee benefits	(222,010,626)	(209,719,686)
Payments to suppliers	(833,943,119)	(772,843,953)
Loans issued to students	(5,961,151)	(5,201,636)
Scholarships and fellowships	(67,812,293)	(64,491,148)
Payments of insurance plan expenses	(164,020,140)	(163,568,837)
Other	114,207,203	115,272,288
Net cash used by operating activities	(422,406,834)	(420,035,775)
Cash Flows from Noncapital Financing Activities		
State appropriations	444,508,581	434,873,620
Property and sales tax	13,241,011	12,814,916
Gifts and grants for other than capital purposes	245,883,145	236,925,764
Direct Lending, Plus and FFEL loan receipts	301,575,474	268,632,192
Direct Lending, Plus and FFEL loan payments	(303,276,426)	(269,874,257)
Other agency funds - net	95,609	1,246,335
Payment of principal on debt	(49,616)	(49,507)
Payment of interest on debt	(991)	(1,100)
Refunds to grantors	(27,675)	(18,000)
Net cash provided by noncapital financing activities	701,949,112	684,549,963
Cash Flows from Capital and Related Financing Activities		
Distributions from debt proceeds	54,108,765	33,694,561
Capital appropriations	955,737	2,088,340
Capital grants and gifts	37,611,845	8,191,238
Proceeds from sale of capital assets	67,596	124,353
Purchases of capital assets	(174,018,494)	(133,784,741)
Payment of capital related principal on debt	(78,136,199)	(72,432,295)
Payment of capital related interest and fees	(53,547,866)	(48,305,455)
Insurance proceeds	102,796	26,182
Payments for bond refunding and related costs	-	(7,022,264)
Payments to/from trustee for reserve	(775,000)	-
Net cash used by capital and related financing activities	(213,630,820)	(217,420,081)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	68,577,667	156,319,253
Investment income (net of fees)	2,315,518	2,271,767
Purchases of investments	(285,452,058)	(110,195,370)
Net cash used by/provided by investing activities	(214,558,873)	48,395,650
Net increase (decrease) in cash	(148,647,415)	95,489,757
Cash, beginning of the year	556,103,255	460,613,498
Mergers with UAPTC and UACCRM (Note 24)	27,165,404	-
Cash, beginning of the year, restated	583,268,659	460,613,498
Cash, end of year	\$ 434,621,244	\$ 556,103,255

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued For The Year Ended June 30, 2017 with comparative figures for 2016

	Year Ended June 30, 2017	Year Ended June 30, 2016
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	\$ (638,551,676)	\$ (560,614,588)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	187,239,009	178,113,075
Other miscellaneous operating receipts	(4,251,006)	3,373,632
Adjustment to cash for amounts in transit within the system	(9,211)	(610,885)
Change in assets and liabilities:		
Receivables, net	(8,940,997)	(66,650,691)
Inventories	(1,030,930)	(3,362,751)
Prepaid expenses and other assets	(2,791,087)	(860,452)
Accounts payable and other accrued liabilities	17,770,767	10,107,152
Unearned revenue	(1,152,293)	7,253,358
Liability for future insurance claims	(3,232,100)	(2,387,700)
Loans to students and employees	(303,936)	197,661
Refundable federal advance	41,842	7,870
Compensated absences	6,070,476	2,057,879
OPEB liability	4,018,748	6,755,028
Pension related	(488,275)	(3,671,682)
Other	23,203,835	10,257,319
NET CASH USED BY OPERATING ACTIVITIES	\$ (422,406,834)	\$ (420,035,775)
Non-Cash Transactions		
Capital Gifts	\$ 8,647,058	\$ 10,859,770
Fixed assets acquired by incurring capital lease obligations	11,777,008	2,649,193
Capital outlay & maintenance paid directly from proceeds of debt	315,658	-
Payment of bond proceeds/premium/accrued interest/debt service reserve directly into deposits with trustees/escrow	157,334,321	237,929,886
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	909,662	1,729,038
Payment of principal & interest on long-term debt from deposits with trustees	947,558	271,529
Interest earned on deposits with trustees	458,750	13,189
Loss on disposal of assets	3,658,751	614,205
Valuation adjustment to capital assets	(1,233,570)	1,103,802
Value of goods received from sponsorship agreements with vendors	3,389,056	3,430,000
Fixed assets transferred to another state agency	37,872	-

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Discretely Presented Component Units FY2017

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Contributions receivable, net	\$ 25,633,932	\$ 33,424,389
Interest receivable	2,480,640	2,021,882
Investments, at fair value	964,470,171	873,266,684
Cash value of life insurance	1,379,370	1,248,856
Land	552,025	668,025
TOTAL ASSETS	<u>\$ 994,516,138</u>	<u>\$ 910,629,836</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 7,146,050	\$ 6,319,020
Annuity obligations	14,069,067	14,065,041
TOTAL LIABILITIES	<u>21,215,117</u>	<u>20,384,061</u>
NET ASSETS		
Unrestricted	105,674,264	106,811,150
Temporarily restricted	151,109,487	143,967,168
Permanently restricted	716,517,290	639,467,457
TOTAL NET ASSETS	<u>973,301,041</u>	<u>890,245,775</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 994,516,158</u>	<u>\$ 910,629,836</u>

UNIVERSITY OF ARKANSAS
FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Investments	<u>\$ 534,656,411</u>	<u>\$ 486,777,148</u>
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 931,047	\$ 287,102
Net Assets:		
Temporarily restricted	36,403,141	33,875,459
Permanently restricted	497,322,223	452,614,587
Total Net Assets	<u>533,725,364</u>	<u>486,490,046</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 534,656,411</u>	<u>\$ 486,777,148</u>

UNIVERSITY OF ARKANSAS SYSTEM: Discretely Presented Component Units FY2017

UNIVERSITY OF ARKANSAS FOUNDATION, INC. Consolidated Statements of Activities Years Ended June 30, 2017 and 2016

	Year Ended June 30, 2017			Year Ended June 30, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support:								
Contributions	\$ 14,766,626	\$ 20,253,999	\$ 14,731,738	\$ 49,752,363	\$ 16,167,039	\$ 22,292,964	\$ 22,624,270	\$ 61,084,273
Interest and dividends	4,323,089	5,884,293	269,199	10,476,581	3,748,435	5,122,248	289,738	9,160,421
Net realized and unrealized gains on investments	4,593,465	23,867,966	62,277,470	90,738,901	9,150,382	19,582,279	(40,527,944)	(11,795,283)
Net assets reclassifications, including released from or satisfaction of restrictions	42,839,527	(42,839,527)	-	-	44,178,823	(44,178,823)	-	-
Total revenues, gains and other support	66,522,707	7,166,731	77,278,407	150,967,845	73,244,679	2,818,668	(17,613,936)	58,449,411
Expenses and Losses:								
Program services:								
Construction	2,974,253	-	-	2,974,253	8,144,010	-	-	8,144,010
Research	14,272,974	-	-	14,272,974	14,582,570	-	-	14,582,570
Faculty/staff support	16,855,731	-	-	16,855,731	13,622,705	-	-	13,622,705
Scholarships and awards	11,816,083	-	-	11,816,083	10,112,850	-	-	10,112,850
Public/staff relations	2,253,515	-	-	2,253,515	2,451,992	-	-	2,451,992
Equipment	3,938,722	-	-	3,938,722	4,971,395	-	-	4,971,395
Sponsored programs	804,223	-	-	804,223	908,546	-	-	908,546
Other	11,602,722	-	-	11,602,722	11,593,570	-	-	11,593,570
Total program services	64,518,223	-	-	64,518,223	66,387,638	-	-	66,387,638
Supporting services:								
Management and general	675,571	-	-	675,571	460,056	-	-	460,056
Fundraising	2,342,191	-	-	2,342,191	1,663,979	-	-	1,663,979
Change in value of split-interest agreements	8,107	376	186,830	195,313	1,069	176	557,336	558,581
Provision for loss (recovery) on uncollectible contributions	115,501	24,036	41,744	181,281	531,038	213,161	315,333	1,059,532
Total supporting services	3,141,370	24,412	228,574	3,394,356	2,656,142	213,337	872,669	3,742,148
Total expenses and losses	67,659,593	24,412	228,574	67,912,579	69,043,780	213,337	872,669	70,129,786
Change in Net Assets	(1,136,886)	7,142,319	77,049,833	83,055,266	4,200,899	2,605,331	(18,486,605)	(11,680,375)
Net Assets, beginning of year	106,811,150	143,967,168	639,467,457	890,245,775	102,610,251	141,361,837	657,954,062	901,926,150
Net Assets, end of year	\$ 105,674,264	\$ 151,109,487	\$ 716,517,290	\$ 973,301,041	\$ 106,811,150	\$ 143,967,168	\$ 639,467,457	\$ 890,245,775

UNIVERSITY OF ARKANSAS SYSTEM: Discretely Presented Component Units FY2017

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC. Statements of Activities Years Ended June 30, 2017 and 2016

	Year Ended June 30, 2017			Year Ended June 30, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support:								
Interest and dividends	\$ -	\$ 3,597,972	\$ 2,245	\$ 3,600,217	\$ -	\$ 3,722,126	\$ 4,788	\$ 3,726,914
Net realized and unrealized gains on investments		15,846,520	44,705,391	60,551,911		16,016,332	(31,578,041)	(15,561,709)
Reclassification for change in donor intent	-	-	-	-	-	-	-	-
Net assets reclassifications, including released from or satisfaction of restrictions	16,916,811	(16,916,811)	-	-	16,434,565	(16,434,565)	-	-
Total revenues, gains and other support	16,916,811	2,527,681	44,707,636	64,152,128	16,434,565	3,303,893	(31,573,253)	(11,834,795)
Expenses and Losses:								
Program services:								
Research	912,263	-	-	912,263	1,131,919	-	-	1,131,919
Faculty/staff support	3,100,700	-	-	3,100,700	2,443,951	-	-	2,443,951
Scholarships and awards	11,397,251	-	-	11,397,251	10,847,583	-	-	10,847,583
Equipment and technology	1,107,626	-	-	1,107,626	1,665,250	-	-	1,665,250
Other	398,971	-	-	398,971	345,862	-	-	345,862
Total program services	16,916,811	-	-	16,916,811	16,434,565	-	-	16,434,565
Change in Net Assets	-	2,527,681	44,707,636	47,235,317	-	3,303,893	(31,573,253)	(28,269,360)
Net Assets, beginning of year	-	33,875,459	452,614,587	486,490,046	-	30,571,566	484,187,840	514,759,406
Net Assets, end of year	\$ -	\$ 36,403,140	\$ 497,322,223	\$ 533,725,363	\$ -	\$ 33,875,459	\$ 452,614,587	\$ 486,490,046

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Net Position by Campus June 30, 2017

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
ASSETS							
Current							
Cash and cash equivalents	\$ 139,680,728	\$ 13,045,343	\$ 19,266,187	\$ 100,267,000	\$ 6,496,661	\$ 22,552,068	\$ 46,457,180
Investments	270,139,692	1,500,000	48,377,642	2,360,000	-	-	-
Accounts receivable	42,120,822	3,767,802	7,850,482	40,299,000	3,712,014	7,449,495	15,456,287
Patient accounts receivable				140,785,000			
Inventories	5,383,272	19,538	172,123	25,598,000	399,290	40,028	
Deposits and funds held in trust by others	3,830,137		386,351		79,804	8,681,351	
Notes receivable	4,084,523			2,044,000	23,022		
Other assets	6,931,557	423,191	684,061	8,971,000	258,679	8,743	174,116
Total current assets	472,170,731	18,755,874	76,736,846	320,324,000	10,969,470	38,731,685	62,087,583
Non-Current							
Cash and cash equivalents	237,644	11,109,881	8,719		1,009,684	12,392,684	
Investments	78,664,950	9,446,782	12,165,912	176,267,000	5,125,211	2,800,877	
Notes receivable	13,373,010	149,458	386,750	13,105,000	491,925	467,576	
Deposits and funds held in trust by others	104,247,447	668,468	163,953	7,129,000	13,278,339	-	
Other non-current assets	2,423,599		-	-		-	450,000
Capital assets	1,228,555,428	147,595,638	238,904,519	771,955,000	43,999,721	97,634,444	2,966,217
Total non-current assets	1,427,502,078	168,970,227	251,629,853	968,456,000	63,904,880	113,295,581	3,416,217
TOTAL ASSETS	\$1,899,672,809	\$ 187,726,101	\$ 328,366,699	\$ 1,288,780,000	\$ 74,874,350	\$ 152,027,266	\$ 65,503,800
DEFERRED OUTFLOWS OF RESOURCES							
Debt refunding	\$ 15,737,411	\$ 3,618,804	\$ 4,030,751	\$ 5,143,000	\$ 558,869	\$ 257,144	\$ -
Pensions	7,356,155	1,190,078	5,242,147	6,574,000	1,120,767	232,383	201,993
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 23,093,566	\$ 4,808,882	\$ 9,272,898	\$ 11,717,000	\$ 1,679,636	\$ 489,527	\$ 201,993
LIABILITIES							
Current							
Accounts payable and other accrued liabilities	\$ 59,653,712	\$ 3,693,744	\$ 4,794,284	\$ 110,217,000	\$ 1,796,540	\$ 1,759,983	\$ 1,124,340
Unearned revenue	33,283,777	412,705	123,637	12,975,000	126,191	203,451	2,385
Funds held in trust for others	410,353	166,095	521,673	444,000	147,119	2,364,880	
Liability for future insurance claims				29,539,000			15,180,200
Estimated third party payor settlements							
Compensated absences payable - current portion	1,535,013	231,748	424,236	3,447,000	112,369	152,079	24,929
Bonds, notes, capital leases, installment contracts payable	33,524,377	5,631,231	6,474,105	24,512,000	1,119,535	854,206	49,725
Total current liabilities	128,407,232	10,135,523	12,337,935	181,134,000	3,301,754	5,334,599	16,381,579
Non-Current							
Unearned revenues, deposits and other	32,197		220,841	329,000		104,228	
Refundable federal advance - Perkins loans	14,277,391		-	1,911,000	422,285	-	
Compensated absences payable	19,701,601	1,457,561	3,885,045	54,252,000	977,372	2,249,444	542,593
Liability for other post employment benefits	16,327,494	1,472,383	5,767,784	36,014,000	1,497,234	2,610,149	260,757
Liability for pensions	14,261,174	3,223,183	10,430,430	14,011,000	3,385,065	688,667	430,355
Bonds, notes, capital leases, installment contracts payable	749,222,801	70,400,849	112,685,223	282,488,000	29,725,912	33,009,795	5,326,650
Total non-current liabilities	813,822,658	76,553,976	132,989,323	389,005,000	36,007,868	38,662,283	6,560,355
TOTAL LIABILITIES	\$ 942,229,890	\$ 86,689,499	\$ 145,327,258	\$ 570,139,000	\$ 39,309,622	\$ 43,996,882	\$ 22,941,934
DEFERRED INFLOWS OF RESOURCES							
Pensions	\$ 929,772	\$ 530,737	\$ 399,186	\$ 499,000	\$ 372,002	\$ 148,724	\$ 61,735
NET POSITION							
Net Investment in Capital Assets	\$ 550,573,383	\$ 75,182,362	\$ 123,446,313	\$ 471,270,000	\$ 26,991,483	\$ 72,337,232	\$ 2,966,217
Restricted							
Non-Expendable							
Scholarships and fellowships	8,453,547	292,456	3,541,473	394,000	56,017		
Research	6,274,656	-	141,700		321,559		
Other	11,813,816	8,206	5,347,471	34,063,000	47,704	3,814,900	
Expendable							
Scholarships and fellowships	15,386,670	185,344	573,494	3,141,000	289,857	916,631	
Research	35,722,118	-	1,505,121	26,780,000	1,701,982	662,131	
Public service	9,260,752	149,580	9,082,399			271,738	
Capital projects	26,332,397	772,874	9,627,399	115,590,000	949,888	1,928,387	
Other	24,746,536	4,010,644	3,282,158	1,230,000	968,500	2,981,326	
Unrestricted	291,042,838	24,713,281	35,365,625	77,391,000	5,545,372	25,458,842	39,735,907
TOTAL NET POSITION	\$ 979,606,713	\$ 105,314,747	\$ 191,913,153	\$ 729,859,000	\$ 36,872,362	\$ 108,371,187	\$ 42,702,124

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

CCCUA	PCCUA	UACCB	UACCH	UACCM	UAPTC	UACCRM	ASMSA	Elimination (See Note 19)	TOTAL
\$ 1,722,660	\$ 8,698,207	\$ 5,406,250	\$ 3,736,698	\$ 3,324,869	\$ 27,915,771	\$ 3,818,958	\$ 6,238,939	\$ 193,714	\$ 408,821,233
884,992	3,261,525		1,120,468	3,168,083	5,648,385	1,059,185			337,519,972
959,266	1,765,233	770,447	562,736	956,763	870,792	459,487	92,294	(15,492,177)	111,600,743
									140,785,000
146,479	65,407	260,077	646,880	51,475		127,520			32,910,089
	6	674			792	118,333			13,097,448
						-		(21,122)	6,130,423
136,176	8,761	98,057		74,919	1,248,778	82,026	79,362	(150,000)	19,029,426
3,849,573	13,799,139	6,535,505	6,066,782	7,576,109	35,684,518	5,665,509	6,410,595	(15,469,585)	1,069,894,334
314,230			34,574	146,458	33,637	12,500	500,000		25,800,011
75,000		1,600,000				-			286,145,732
36,878	89,936	48,846	33,018	42,060		-	11,001,661	(5,651,429)	33,574,689
		147,936	146,728	6,612,053	5,658,692	53,951			138,106,567
			-					(450,000)	2,423,599
13,902,334	18,136,349	12,580,880	17,097,154	18,137,083	98,122,144	10,247,906	4,389,016		2,724,223,833
14,328,442	18,226,285	14,377,662	17,311,474	24,937,654	103,814,473	10,314,357	15,890,677	(6,101,429)	3,210,274,431
\$ 18,178,015	\$ 32,025,424	\$ 20,913,167	\$ 23,378,256	\$ 32,513,763	\$ 139,498,991	\$ 15,979,866	\$ 22,301,272	\$ (21,571,014)	\$ 4,280,168,765
\$ 90,775	\$ 926,057	\$ 1,072	\$ 185,541	\$ 13,322	\$ 843,344	\$ 14,983	\$ -	\$ -	\$ 31,421,073
913,624	637,895	1,141,005	1,381,667	1,143,279	4,367,041	861,622	279,103	-	32,642,759
\$ 1,004,399	\$ 1,563,952	\$ 1,142,077	\$ 1,567,208	\$ 1,156,601	\$ 5,210,385	\$ 876,605	\$ 279,103	\$ -	\$ 64,063,832
\$ 186,545	\$ 718,816	\$ 278,318	\$ 375,254	\$ 1,082,043	\$ 1,496,934	\$ 138,403	\$ 401,147	\$ (15,448,463)	\$ 172,268,600
258,263	194,779	50,269		70,076	232,504	157,064	62,850		48,152,951
47,387	19,256	18,366	65,889	233,371	122,106	31,490	76,878		4,668,863
									15,180,200
									29,539,000
18,472	29,367	25,392	30,143	34,386	146,678	25,799	15,959		6,253,570
282,665	385,249	570,555	685,985	483,110	2,038,720	164,613		(21,122)	76,754,954
793,332	1,347,467	942,900	1,157,271	1,902,986	4,036,942	517,369	556,834	(15,469,585)	352,818,138
	111,472						450,000	(450,000)	797,738
									16,610,676
350,962	484,490	457,287	350,552	337,361	620,511	193,898	127,025		85,987,702
205,383	995,039	510,894	219,379	418,144	1,375,150	630,125	376,635		68,680,550
2,957,259	1,392,393	3,117,953	3,330,527	3,611,820	14,084,910	2,650,341	1,085,976		78,661,053
4,076,280	10,525,670	2,294,853	3,717,581	11,849,451	84,890,071	5,850,712		(5,651,429)	1,400,412,419
7,589,884	13,509,064	6,380,987	7,618,039	16,216,776	100,970,642	9,325,076	2,039,636	(6,101,429)	1,651,150,138
\$ 8,383,216	\$ 14,856,531	\$ 7,323,887	\$ 8,775,310	\$ 18,119,762	\$ 105,007,584	\$ 9,842,445	\$ 2,596,470	\$ (21,571,014)	\$ 2,003,968,276
\$ 252,003	\$ 446,622	\$ 172,225	\$ 349,766	\$ 312,786	\$ 990,616	\$ 129,950	\$ 358,802	\$ -	\$ 5,953,926
\$ 9,634,163	\$ 8,151,487	\$ 9,863,408	\$ 12,839,438	\$ 14,242,401	\$ 12,036,698	\$ 4,301,515	\$ 14,919,033	\$ -	\$ 1,408,755,133
78,357									12,815,850
									6,737,915
									55,095,097
	238,180			308,583					21,039,759
									66,371,352
									18,764,469
314,231	1,459,795	1,981,201	34,574			12,500			159,003,246
13,108					8,311,397	65,011	60,379		45,669,059
507,336	8,436,761	2,714,523	2,946,376	686,832	18,363,081	2,505,050	4,645,691		540,058,515
\$ 10,547,195	\$ 18,286,223	\$ 14,559,132	\$ 15,820,388	\$ 15,237,816	\$ 38,711,176	\$ 6,884,076	\$ 19,625,103	\$ -	\$ 2,334,310,395

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses, and Changes in Net Position by Campus For the Year Ended June 30, 2017

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
Operating Revenues							
Student tuition & fees, net of scholarship allowances	\$ 227,456,739	\$ 17,015,967	\$ 50,123,157	\$ 43,975,000	\$ 11,552,001	\$ 7,838,515	\$ 252,243
Net patient services				1,186,364,000			
Federal and county appropriations	16,068,919						
Federal grants and contracts	43,241,546	1,156,194	14,094,035	70,170,000	1,872,295	13,776,840	
State and local grants and contracts	32,460,684	2,913,756	12,755,636	31,411,000	2,539,125	2,684,941	
Non-governmental grants and contracts	39,224,018	3,034,429	1,334,297	11,905,000	934,003	615,920	250,000
Sales and services of educational departments	22,454,703	334,668	1,866,605	33,018,000	247,998	316,581	4,230,585
Insurance plan							181,229,758
Auxiliary enterprises			-				
Athletics	103,488,566	318,761	5,414,073		549,859	1,725,229	
Housing and food service	51,932,574	3,138,973	6,673,497	8,600,000	2,440,710	4,612,429	
Bookstore	12,278,306	388,287	242,506	-	459,242	150,934	
Other auxiliary enterprises	12,131,488	329,158	1,306,197	2,998,000	632,518	312,294	
Other operating revenues	13,271,938	451,977	1,957,983	57,717,000	697,494	3,221,864	
Total operating revenues	574,009,481	29,082,170	95,767,986	1,446,158,000	21,925,245	35,255,547	185,962,586
Operating Expenses							
Compensation and benefits	487,572,321	42,838,163	116,944,732	987,945,000	27,557,131	43,833,047	8,264,980
Supplies and services	248,768,835	17,877,441	43,290,510	477,733,000	11,370,022	22,988,968	2,816,650
Scholarships and fellowships	20,764,570	3,644,491	14,759,623	880,000	6,408,319	5,277,531	
Insurance plan							161,001,798
Depreciation	75,527,340	7,720,862	16,056,746	66,021,000	3,573,539	6,422,880	434,010
Total operating expenses	832,633,066	72,080,957	191,051,611	1,532,579,000	48,909,011	78,522,426	172,517,438
Operating gain (loss)	(258,623,585)	(42,998,787)	(95,283,625)	(86,421,000)	(26,983,766)	(43,266,879)	13,445,148
Non-Operating Revenues (Expenses)							
State appropriations	206,764,617	24,056,683	68,575,478	31,259,000	18,570,160	28,254,901	3,701,195
Property and sales tax		6,147,209	-			-	
Federal grants	21,631,421	13,153,632	16,270,438		7,375,830	9,839,553	
State and local grants	27,016,602	6,273,655	7,358,014		2,253,685	1,515,828	
Non-governmental grants		41,250	1,053,780			-	
Gifts	72,257,662	496,307	4,975,993	19,673,000	89,850	489,064	
Investment income, net	11,951,939	32,969	1,685,334	23,783,000	327,929	154,061	34,463
Interest & fees on capital asset-related debt	(24,585,099)	(2,441,146)	(3,170,698)	(10,769,000)	(591,020)	(617,497)	
Gain (Loss) on disposal of assets	(3,171,268)	(39,773)	(47,186)	133,000	(400)	(9,503)	
Other	2,168,222	(185,961)	-		(181,606)	367	63,826
Net non-operating revenues	314,034,096	47,534,825	96,701,153	64,079,000	27,844,428	39,626,774	3,799,484
Income (loss) before other revenues and expenses	55,410,511	4,536,038	1,417,528	(22,342,000)	860,662	(3,640,105)	17,244,632
Other Changes in Net Position							
Capital appropriations	350,000	378,920	-				
Capital grants and gifts	20,437,460	32,500	17,470,310	1,285,000	22,263	9,500	
Adjustments to prior year revenues and expenses	-	7,090	-		37,088		
Extraordinary item-pollution remediation	(9,648,242)						
Other	161,097	231,266	-	1,171,000	24,625		
Total other revenues and expenses	11,300,315	649,776	17,470,310	2,456,000	83,976	9,500	-
Increase (decrease) in net position	66,710,826	5,185,814	18,887,838	(19,886,000)	944,638	(3,630,605)	17,244,632
Net Position, beginning of year	912,895,887	100,128,933	173,025,315	749,745,000	35,927,724	112,001,792	25,457,492
Mergers with UAPTC and UACCRM (See Note 24)							
Net Position, beginning of year, restated	912,895,887	100,128,933	173,025,315	749,745,000	35,927,724	112,001,792	25,457,492
Net Position, end of year	\$ 979,606,713	\$ 105,314,747	\$ 191,913,153	\$ 729,859,000	\$ 36,872,362	\$ 108,371,187	\$ 42,702,124

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

CCCUA	PCCUA	UACCB	UACCH	UACCM	UAPTC	UACCRM	ASMSA	Elimination (Note 19)	TOTAL
\$ 2,229,138	\$ 881,798	\$ 1,088,031	\$ 1,315,527	\$ 3,535,793	\$ 11,887,847	\$ 756,900			\$ 379,908,656
									1,186,364,000
						-			16,068,919
431,548	2,420,086	771,665	972,966	1,340,436	2,959,531	2,140,808	7,300.00		155,355,250
962,130	1,062,162	314,028	1,443,411	883,102	1,111,266	607,637	538,080		91,686,958
40,461	437,347	27,082		148,043		144,157	97,043		58,191,800
161,362	44,783	56,291	88,194	142,728	268,311	32,323	47,192	\$ (3,901,350)	59,408,974
								(129,580,546)	51,649,212
17,831						-			111,514,319
79,371									77,477,554
177,111	48,811	196,613	468,384	82,863		194,591			14,687,648
	81,587	121,273		12,476		50,241			17,975,232
61,787	130,914	67,535	51,791	46,588	667,909	55,106	216,401	(970,858)	77,645,429
4,160,739	5,107,488	2,642,518	4,340,273	6,192,029	16,894,864	3,981,763	906,016	(134,452,754)	2,297,933,951
8,220,547	11,868,932	7,661,237	8,347,620	9,552,373	27,432,034	5,747,779	4,384,564	(129,580,546)	1,668,589,914
3,007,943	4,212,590	2,537,942	2,809,521	3,299,010	9,796,229	2,319,363	3,851,735	(4,872,208)	851,807,551
1,164,570	1,612,641	1,212,285	3,335,364	2,883,954	4,944,569	959,438			67,847,355
									161,001,798
941,082	1,381,051	815,945	958,707	959,511	4,805,635	1,215,362	405,339		187,239,009
13,334,142	19,075,214	12,227,409	15,451,212	16,694,848	46,978,467	10,241,942	8,641,638	(134,452,754)	2,936,485,627
(9,173,403)	(13,967,726)	(9,584,891)	(11,110,939)	(10,502,819)	(30,083,603)	(6,260,179)	(7,735,622)	-	(638,551,676)
4,747,973	10,381,540	4,997,821	6,450,944	6,313,341	17,411,209	3,420,616	8,793,103		443,698,581
1,296,117	1,927,071	1,403,319	1,447,590	695,829		426,616			13,343,751
2,194,708	2,646,694	2,892,358	3,937,185	4,484,216	15,187,378	1,536,806			101,150,219
349,109		306,376			1,305,585	-			46,378,854
						-			1,095,030
106,834				17,249	396,015	6,865	100,544		98,609,383
12,361	13,107	47,763	8,859	6,359	140,973	11,704	49,084	(36,280)	38,223,625
(162,656)	(396,360)	(33,382)	(137,800)	(518,446)	(4,064,036)	(219,574)			(47,706,714)
				9,428	(9,608)	-			(3,135,310)
					(101,402)	(831)		36,280	1,798,895
8,544,446	14,572,052	9,614,255	11,706,778	11,007,976	30,266,114	5,182,202	8,942,731		693,456,314
(628,957)	604,326	29,364	595,839	505,157	182,511	(1,077,977)	1,207,109	-	54,904,638
175,000						-			903,920
	614,533			823,605	35,000	134,176			40,864,347
						-			44,178
									(9,648,242)
		7,430				-			1,595,418
175,000	614,533	7,430	-	823,605	35,000	134,176	-	-	33,759,621
(453,957)	1,218,859	36,794	595,839	1,328,762	217,511	(943,801)	1,207,109		88,664,259
11,001,152	17,067,364	14,522,338	15,224,549	13,909,054	-	-	18,417,994		2,199,324,594
					38,493,665	7,827,877			46,321,542
11,001,152	17,067,364	14,522,338	15,224,549	13,909,054	38,493,665	7,827,877	18,417,994		2,245,646,136
\$ 10,547,195	\$ 18,286,223	\$ 14,559,132	\$ 15,820,388	\$ 15,237,816	\$ 38,711,176	\$ 6,884,076	\$ 19,625,103	\$ -	\$ 2,334,310,395

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - By Campus For the Year Ended June 30, 2017

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
Cash Flows from Operating Activities							
Student tuition and fees (net of scholarships)	\$ 227,146,153	\$ 16,375,900	\$ 52,242,942	\$ 47,207,000	\$ 11,630,850	\$ 7,500,567	\$ 201,328
Patient and insurance payments				1,206,624,000			
Federal and county appropriations	16,045,211		-			-	
Grants and contracts	114,374,801	7,133,371	26,582,018	113,307,000	5,388,057	16,675,757	277,987
Collection of loans and interest	2,696,602		41,008	2,016,000	40,157	-	
Insurance plan receipts							179,951,804
Auxiliary enterprise revenues:			-				
Athletics	103,323,543	318,761	5,161,455		545,287	1,721,589	
Housing and food service	52,015,522	3,019,606	6,672,497	8,652,000	1,723,350	4,612,037	
Bookstore	12,270,412	368,575	242,506		408,360	151,365	
Other auxiliary enterprises	12,319,681	314,925	1,282,727	4,345,000	787,887	312,294	
Payments to employees	(379,558,964)	(33,798,967)	(91,837,449)	(801,034,000)	(21,399,151)	(34,388,093)	(6,283,375)
Payment of employee benefits	(105,426,231)	(8,794,668)	(23,535,357)	(176,055,000)	(6,085,121)	(8,955,093)	(1,804,108)
Payments to suppliers	(248,258,374)	(17,919,240)	(43,291,417)	(461,332,000)	(10,838,640)	(22,978,880)	(2,866,868)
Loans issued to students	(2,626,711)	2,560	-	(3,337,000)		-	
Scholarships and fellowships	(20,730,599)	(3,644,491)	(14,759,623)	(880,000)	(6,410,814)	(5,277,531)	
Payments of insurance plan expenses							(164,020,140)
Other receipts and payments	29,548,343	759,332	3,065,820	74,268,000	883,032	3,544,087	4,562,621
Net cash used by operating activities	(186,860,611)	(35,864,336)	(78,132,873)	13,781,000	(23,326,746)	(37,081,901)	10,019,249
Cash Flows from Noncapital Financing Activities							
State appropriations	206,764,617	24,056,683	68,575,478	32,069,000	18,570,160	28,254,901	3,701,195
Property and sales tax		6,127,231	-			-	
Gifts and grants for other than capital purposes	119,648,432	19,809,218	29,658,224	19,673,000	9,719,133	11,844,445	
Direct Lending, Plus and FFEL loan receipts	120,749,237	16,657,034	58,951,108	56,233,000	12,612,076	14,288,064	
Direct Lending, Plus and FFEL loan payments	(121,795,309)	(16,858,844)	(59,571,850)	(56,287,000)	(12,784,394)	(13,911,061)	
Other agency funds - net	179,020	85,539	53,483	16,074	(97,063)	(154,314)	
Payment of principal on debt							(49,616)
Payment of interest on debt							(44,527)
Inter-fund loan receipts							2,487,749
Inter-fund loan payments	(1,167,131)	(74,729)	(193,375)	(653,074)	(27,392)	(232,096)	
Refunds to grantors					(27,675)		
Net cash provided (used) by noncapital financing activities	324,378,866	49,802,132	97,473,068	51,051,000	27,964,845	40,089,939	6,094,801
Cash Flows from Capital and Related Financing Activities							
Distributions from debt proceeds	40,920,765	2,106,748	684,118	4,330,000			
Capital appropriations	350,000	430,737	-				
Capital grants and gifts	17,653,202	26,652	17,408,755	1,285,000		9,500	
Property taxes - capital allocation			-			-	
Proceeds from sale of capital assets			-	58,000	435	-	
Purchases of capital assets	(100,613,126)	(3,264,573)	(13,782,923)	(35,885,000)	(1,985,841)	(9,219,174)	
Payment of capital related principal on debt	(29,257,903)	(4,654,674)	(5,172,292)	(33,011,000)	(1,016,380)	(785,000)	150,000
Payments of capital related interest and fees	(29,481,238)	(2,515,374)	(4,775,567)	(10,825,000)	(530,991)	(633,169)	
Insurance proceeds		102,796	-				
Payments to/from trustee for reserve		(775,000)	-				
Net cash provided (used) by capital & related financing act	(100,428,300)	(8,542,688)	(5,637,909)	(74,048,000)	(3,532,777)	(10,627,843)	150,000
Cash Flows from Investing Activities							
Proceeds from sales and maturities of investments	4,607,529	10,687,333	74,293	48,274,000		490,025	
Investment income (net of fees)	900,790	126,091	432,567	624,000	9,432	49,222	34,338
Purchases of investments	(190,000,025)	(10,801,599)	(30,195,362)	(48,392,000)		(616,911)	
Net cash provided (used) by investing activities	(184,491,706)	11,825	(29,688,502)	506,000	9,432	(77,664)	34,338
Net increase in cash	(147,401,751)	5,406,933	(15,986,216)	(8,710,000)	1,114,754	(7,697,469)	16,298,388
Cash, beginning of year	287,320,123	18,748,291	35,261,122	108,977,000	6,391,591	42,642,221	30,158,792
Mergers with UAPTC and UACCRM							
Cash, beginning of the year, restated	287,320,123	18,748,291	35,261,122	108,977,000	6,391,591	42,642,221	30,158,792
Cash, end of year	\$ 139,918,372	\$ 24,155,224	\$ 19,274,906	\$ 100,267,000	\$ 7,506,345	\$ 34,944,752	\$ 46,457,180

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

CCCUA	PCCUA	UACCB	UACCH	UACCM	UAPTC	UACCRM	ASMSA	Elimination (Note 19)	TOTAL
\$ 2,149,716	\$ 810,878	\$ 1,052,287	\$ 1,311,123	\$ 3,512,381	\$ 11,842,416	\$ 761,157			\$ 383,744,698
						-			1,206,624,000
									16,045,211
1,506,720	3,932,842	1,097,284	2,308,651	2,355,897	4,184,064	3,017,099	\$ 623,624		302,765,172
						-			4,793,767
								\$ (128,675,372)	51,276,432
17,831									111,088,466
79,371									76,774,383
177,111	48,811	186,667	468,384	85,971		194,525			14,602,687
	81,587	121,451		12,913		50,241			19,628,706
(6,155,416)	(8,992,531)	(5,587,444)	(6,236,766)	(7,075,383)	(20,555,455)	(3,943,029)	(3,364,207)		(1,430,210,230)
(1,924,417)	(2,933,841)	(1,897,181)	(1,708,573)	(2,370,194)	(6,350,324)	(1,624,130)	(1,035,971)	128,489,583	(222,010,626)
(2,960,374)	(4,319,041)	(2,466,330)	(2,879,784)	(3,104,877)	(9,518,325)	(2,248,612)	(3,790,065)	4,829,708	(833,943,119)
						-			(5,961,151)
(1,164,569)	(1,613,041)	(1,212,285)	(3,330,578)	(2,884,755)	(4,944,569)	(959,438)			(67,812,293)
									(164,020,140)
223,897	175,697	113,602	227,063	198,366	953,017	67,718	269,738	(4,653,130)	114,207,203
(8,050,130)	(12,808,639)	(8,591,949)	(9,840,480)	(9,269,681)	(24,389,176)	(4,684,469)	(7,296,881)	(9,211)	(422,406,834)
4,747,973	10,381,540	4,997,821	6,450,944	6,313,341	17,411,209	3,420,616	8,793,103		444,508,581
1,304,240	1,926,242	1,390,091	1,431,692	640,841		420,674			13,241,011
2,664,743	2,653,439	3,214,347	3,937,185	4,501,465	16,915,299	1,543,671	100,544		245,883,145
		1,421,363		2,826,972	17,836,620	-			301,575,474
		(1,404,376)		(2,826,972)	(17,836,620)	-			(303,276,426)
3,052	(3,404)	(9,379)	(3,701)	(87)	8,878	8,227	9,284		95,609
									(49,616)
								43,536	(991)
								(2,487,749)	-
(18,439)	(44,968)	(24,423)	(16,394)	(21,030)			(14,698)	2,487,749	-
									(27,675)
8,701,569	14,912,849	9,585,444	11,799,726	11,434,530	34,335,386	5,393,188	8,888,233	43,536	701,949,112
		2,000,000		4,067,134					54,108,765
175,000									955,737
	270,955			823,605		134,176			37,611,845
				9,161					-
(312,557)	(1,118,729)	(64,128)	(240,328)	(6,169,053)	(881,719)	(95,010)	(386,333)		67,596
(267,289)	(375,806)	(370,667)	(664,888)	(445,300)	(1,955,000)	(160,000)	(150,000)		(174,018,494)
(164,770)	(365,313)	(23,457)	(132,003)	(55,505)	(3,829,232)	(216,247)			(78,136,199)
						-			(53,547,866)
									102,796
									(775,000)
(569,616)	(1,588,893)	1,541,748	(1,037,219)	(1,769,958)	(6,665,951)	(337,081)	(536,333)	-	(213,630,820)
	34,555	1,500,000		1,900,000		1,009,932			68,577,667
2,918	11,301	47,328	1,060	21,279	38,768	11,026	48,934	(43,536)	2,315,518
(100,000)	(3,000,000)	(1,600,000)		(650,000)		(96,161)			(285,452,058)
(97,082)	(2,954,144)	(52,672)	1,060	1,271,279	38,768	924,797	48,934	(43,536)	(214,558,873)
(15,259)	(2,438,827)	2,482,571	923,087	1,666,170	3,319,027	1,296,435	1,103,953	(9,211)	(148,647,415)
2,052,149	11,137,034	2,923,679	2,848,185	1,805,157		5,634,986		202,925	556,103,255
					24,630,381	2,535,023			27,165,404
2,052,149	11,137,034	2,923,679	2,848,185	1,805,157	24,630,381	2,535,023	5,634,986	202,925	583,268,659
\$ 2,036,890	\$ 8,698,207	\$ 5,406,250	\$ 3,771,272	\$ 3,471,327	\$ 27,949,408	\$ 3,831,458	\$ 6,738,939	\$ 193,714	\$ 434,621,244

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2017

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
Reconciliation of net operating revenue (loss) to net cash provided (used) by operating activities:							
Operating revenue (loss)	\$ (258,623,585)	\$ (42,998,787)	\$ (95,283,625)	\$ (86,421,000)	\$ (26,983,766)	\$ (43,266,879)	\$ 13,445,148
Adjustments to reconcile net revenue (loss) to net cash provided (used) by operating activities:							
Depreciation expense	75,527,340	7,720,862	16,056,746	66,021,000	3,573,539	6,422,880	434,010
Other miscellaneous operating receipts	(4,384,879)						133,873
Adjustment to cash for amounts in transit within the system							
Change in assets and liabilities:							
Receivables, net	(3,050,259)	(517,825)	(578,353)	(2,875,000)	(175,078)	(718,775)	(1,102,863)
Inventories	264,547	4,764	41,413	(1,311,000)	57,406	(13,595)	
Prepaid expenses and other assets	(472,002)	(30,798)	(107,720)	(2,497,000)	22,501	2,327	(5,005)
Accounts payable and other accrued liabilities	445,098	(214,893)	541,124	16,466,000	184,750	293,210	168,545
Unearned revenue	829,495	(43,103)	(42,467)	(1,895,000)	(55,006)	(11,747)	144
Liability for future insurance claims		-	-				(3,232,100)
Loans to students and employees	(306,496)	2,560	-				
Refundable federal advance	66,467	-	-		(24,625)		
Compensated absences	1,031,887	35,886	(65,120)	4,986,000	(35,937)	81,876	(63,729)
OPEB liability	941,224	147,069	284,110	2,096,000	56,464	145,578	17,686
Pension related	866,584	29,929	1,021,019	(3,796,000)	53,006	(13,430)	223,540
Other	3,968		-	23,007,000		(3,346)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (186,860,611)	\$ (35,864,336)	\$ (78,132,873)	\$ 13,781,000	\$ (23,326,746)	\$ (37,081,901)	\$ 10,019,249
Non-Cash Transactions							
Capital Gifts	\$ 7,234,064		\$ 61,555	\$ 1,285,000	\$ 22,263		
Fixed assets acquired by incurring capital lease obligations				3,213,000		\$ 8,564,008	
Capital outlay & maintenance paid directly from proceeds of debt	315,658						
Payment of bond proceeds/premium/accrued interest/debt svc reserve directly into deposits with trustees/escrow	119,759,469	\$ 23,062,932			14,511,920		
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	565,254	189,292			155,116		
Payment of principal & interest on long-term debt from deposits with tr	159,415						
Interest earned on deposits with trustees	417,694	7,659	2,699		13,059		
Loss on disposal of assets	3,576,949	15,105	47,186		400	9,503	
Valuation adjustment to capital assets				(1,241,000)			
Value of goods received from sponsorship agreements with vendors	3,389,056						
Fixed assets transferred to another state agency							

See accompanying notes.



UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2017

CCCUA	PCCUA	UACCB	UACCH	UACCM	UAPTC	UACCRM	ASMSA	Elimination (Note 19)	TOTAL
\$ (9,173,403)	\$ (13,967,726)	\$ (9,584,891)	\$ (11,110,939)	\$ (10,502,819)	\$ (30,083,603)	\$ (6,260,179)	\$ (7,735,622)	\$ -	\$ (638,551,676)
941,082	1,381,051	815,945	958,707	959,511	4,805,635	1,215,362	405,339	(9,211)	187,239,009 (4,251,006) (9,211)
(88,027)	(44,223)	(39,331)	77,039	23,723	123,852	42,967	(18,844)		(8,940,997)
21,877	(4,160)	25,429	(150,721)	2,570		30,540			(1,030,930)
9,670	2,688	9,835	-	(63,738)	265,842	35,776	36,537		(2,791,087)
35,535	(261,227)	15,265	(9,174)	(20,648)	101,044	(7,390)	33,528		17,770,767
80,464	(13,450)	(14,484)		6,201	(65,540)	66,010	6,190		(1,152,293)
						-			(3,232,100)
						-			(303,936)
						-			41,842
(3,099)	32,655	(1,051)	(1,082)	8,470	38,205	4,182	21,333		6,070,476
44,770	37,853	31,602	41,307	36,625	63,067	59,780	15,613		4,018,748
81,001	27,900	149,732	354,383	84,211	362,322	128,483	(60,955)		(488,275)
				196,213					23,203,835
\$ (8,050,130)	\$ (12,808,639)	\$ (8,591,949)	\$ (9,840,480)	\$ (9,269,681)	\$ (24,389,176)	\$ (4,684,469)	\$ (7,296,881)	\$ (9,211)	\$ (422,406,834)
					\$ 35,000	\$ 9,176			\$ 8,647,058
									11,777,008
									315,658
									157,334,321
									909,662
\$ 158			\$ 877	\$ 411,025		376,960			947,558
	\$ 1,361			14,723		678			458,750
					9,608				3,658,751
		7,430							(1,233,570)
									3,389,056
					37,872				37,872



Note 1: Summary of Significant Accounting Policies

The financial statements for the University of Arkansas (“the University”) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying notes to the financial statements are an integral part of the financial statements.

The following acronyms are used for the various campuses and divisions of the University as reported in the financial statements: UAF (University of Arkansas Fayetteville, including Agricultural Experiment Station, Cooperative Extension Service, Arkansas Archeological Survey (AAS), Criminal Justice Institute (CJI), and Clinton School of Public Service), UAFS (University of Arkansas at Fort Smith), UALR (University of Arkansas at Little Rock), UAMS (University of Arkansas for Medical Sciences), UAM (University of Arkansas at Monticello), UAPB (University of Arkansas at Pine Bluff), CCCUA (Cossatot Community College of the University of Arkansas), PCCUA (Phillips Community College of the University of Arkansas), UACCB (University of Arkansas Community College at Batesville), UACCH (University of Arkansas Community College at Hope), UACCM (University of Arkansas Community College at Morrilton), University of Arkansas-Pulaski Technical College (UAPTC), University of Arkansas Community College at Rich Mountain (UACCRM), ASMSA (Arkansas School for Mathematics, Sciences and the Arts), and SYSTEM (University of Arkansas System Administration, including University of Arkansas System eVersity).

Basis of Presentation and Measurement Focus

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities. Accordingly, the University’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period in which they are incurred, if measurable, including depreciation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, deferred outflows, revenues and expenses at the date of the financial statements. Significant estimates affecting the financial statements include the determination of allowances for uncollectible accounts, patient services related contractual adjustments and third-party payor settlements, and various investment risks and fair market valuations. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to cash and have a maturity at acquisition of three months or less.

Investments

Investments and funds held in trust by others of marketable securities are reported at fair value as established by major securities markets. The fair value of venture capital and other investments is

based on the most current information reported to the University by the respective investment managers. Changes in unrealized gain (loss) on the carrying value are reported as a component of investment income on the statement of revenues, expenses and changes in net position.

Accounts Receivable

Receivables that represent charges due the University from various student fees, room and board, student fines, patient care services, and other charges are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts and contractual allowances (related to patient care revenue). Receivables can also include unreimbursed expenses relating to research contracts with federal, state, and private agencies.

Patient Accounts Receivable

Patient accounts receivable are shown net of contractual allowances and an allowance for doubtful accounts. Credit balances representing refunds due are reported as accounts payable. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental care coverage and other collection indicators.

Inventories

Inventories are valued at the lower of cost or market, with cost generally being determined on a first-in, first-out (FIFO) or average-cost basis.

Capital Assets

Capital assets consisting of land, buildings, improvements, furniture, equipment, intangible assets, and construction in progress, are stated at cost or acquisition value at date of gift. Library holdings are generally valued using average prices for library acquisitions. If material, interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings. In accordance with the University's capitalization policy, equipment includes all furniture, fixtures and equipment with a unit cost of \$5,000 or more and an estimated useful life of one year or more. Intangible assets are capitalized when the cost is \$500,000 or more for purchased software, \$1,000,000 or more for internally developed software, or \$250,000 or more for easements, land use rights, trademarks and copyrights, and patents.

Livestock is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the University. The inventory value placed on the animals is determined by utilizing current market prices and breeding and research intangibles.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets -- generally 15-30 years for buildings, 15-20 years for infrastructure and land improvements, 3-10 years for equipment, 10 years for library holdings, and the applicable term for capital leases.

UAMS bases its estimated useful lives on guidelines established by the American Hospital Association (AHA) which may differ slightly from those shown above for the other campuses.

Capitalization of Interest

The University capitalizes interest involving qualifying assets. The amount of interest cost to be capitalized is netted against any interest earned on temporary investments of the proceeds of those borrowings from the initial date of borrowing until the specified qualifying assets acquired with that debt are ready for their intended use. The total amount of interest cost incurred (gross of amortizations of premiums and discounts) and the net amount that has been capitalized was \$55,798,658 and \$4,157,454, respectively, for the fiscal year ended June 30, 2017. The total amount of interest cost incurred (gross of amortizations of premiums and discounts) and the net amount that has been capitalized was \$49,155,698 and \$2,860,539, respectively, for the fiscal year ended June 30, 2016.

Deferred Outflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Therefore, these items will not be recognized as an expense or expenditure until a future period.

Compensated Absences

Vested or accumulated vacation and sick leave of University employees are recorded as an expense and liability as the benefits are earned. Amounts recorded include salary expense as well as salary-related payments (e.g., FICA taxes, retirement, etc.). No liability is recorded for nonvested accumulated rights to receive sick leave benefits. The current portion of compensated absences is determined using the average balance paid annually in the prior two-year period.

Unearned Revenue

Unearned revenue consists primarily of student tuition and fees and athletic ticket sales related to future fiscal years, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. Therefore, these items will not be recognized as revenue until a future period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System and the Arkansas Teacher Retirement System (the respective Systems) and additions to/deductions from the respective System's fiduciary net position have been determined on the same basis as they are reported by the respective Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

The University's net position is classified as follows:

- *Net investment in capital assets* - Capital assets, net of accumulated depreciation and outstanding principal balances of debt obligations related to those capital assets. However, unexpended debt proceeds at year-end are reported as net position restricted for capital projects.
- *Restricted:*
 - Non-expendable - Portion subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.
 - Expendable - Portion whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. There is no formal policy requiring restricted net position to be used either before or after unrestricted net position is used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted net position that may be available.
- *Unrestricted* – Portion that is not subject to externally imposed stipulations. This portion may be designated for specific purposes by management or the Board of Trustees or may be otherwise limited by contractual agreements with outside parties.

Classification of Revenues

The University has classified its revenues as either operating or non-operating according to the following criteria:

- *Operating Revenue* - includes activities that have the characteristics of exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), patient services (net of contractual agreements), most federal, state, and local grants and contracts, revenues associated with auxiliary enterprises (net of scholarship discounts and allowances), interest on institutional student loans, and the University's self-funded insurance plans.
- *Non-Operating Revenue* - includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, interest on debt, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances. Scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Net Patient Services Revenue

Patient care revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement

agreements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted as final settlements are determined.

Prior to 2017, contractual pharmacy revenues for UAMS were included in the Statement of Revenues, Expenses, and Changes in Net Position as Net Patient Services revenue. In 2017, these revenues began being reported as Other Operating Revenues. Therefore, these revenues for 2016, which totaled \$35,210,000, have been reclassified for comparability.

Charity Care

UAMS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because UAMS does not pursue collection of amounts determined to qualify as charity care, these amounts are accounted for as a reduction of patient services revenue at the time the services are rendered.

Grants and Contracts

The University has been awarded grants and contracts for operations for which the moneys have not been received or expended. These awards have not been reflected in the financial statements but represent commitments of sponsors to provide funds for specific research and training projects.

Federal research grants and contracts normally provide for the recovery of direct and indirect costs, subject to adjustment based upon review by the granting agencies. The University recognizes revenue associated with direct costs as the related costs are incurred. The recovery of indirect costs is recorded at predetermined rates negotiated with the federal government.

State Appropriations

State appropriations are reported in the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenue, net of the Medicaid match payments required under various contracts between UAMS and the Arkansas Department of Human Services. The match payments were \$80,742,000 and \$99,151,000 for the fiscal years 2017 and 2016, respectively.

Component Units

In fiscal year 2017, there were two qualifying foundations determined to be component units under GASB Statement No. 39 for the University of Arkansas: The University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. Although the University does not control the timing or amount of receipts from either of these foundations, the majority of resources or income thereon, which the foundations hold and invest, is restricted to the activities of the University by the donors. Because these restricted resources held by the foundations can be used only by, or for the benefit of, the University, and their individual net assets are considered as having met the financial accountability criteria by management, these two foundations are considered component units and are discretely presented in the University's financial statements.

The University of Arkansas Foundation, Inc. is a separate not-for-profit organization, which operates for charitable educational purposes, including the administration and investment of gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of Directors has twenty-two members, four of which are current or previous members of the Board of Trustees of the University of Arkansas. During the years ended June 30, 2017 and

2016, the Foundation distributed \$65,294,457 and \$66,373,172, respectively, to or on behalf of the University. Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

The University of Arkansas Fayetteville Campus Foundation, Inc. is a not-for-profit charitable organization which was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville campus. The Foundation was established on March 11, 2003, and exists primarily to support the Honors College, the Graduate School, and the University's library. The Board of Trustees of the Foundation is made up of seven members, including three members who are also employees of the University. During the years ended June 30, 2017 and 2016, the Foundation distributed \$16,916,811 and \$16,434,565, respectively, to or on behalf of the University. Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

Encumbrances

Encumbrances representing commitments and outstanding purchase orders for goods and services not received as of the last day of the fiscal year are not reported as expenses or included in liabilities in the accompanying financial statements.

New Accounting Pronouncements

The GASB issued the following statements, which became effective for the fiscal year ended June 30, 2017:

- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*,
- Statement No. 77, *Tax Abatement Disclosures*,
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*,
- Statement No. 80, *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14*,
- Statement No. 82, *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*

Management has determined these statements did not materially impact the University.

Additionally, the GASB issued the following statements, which become effective for the future fiscal years noted below:

For the year ending June 30, 2018

- Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*,
- Statement No. 81, *Irrevocable Split-Interest Agreements*,
- Statement No. 85, *Omnibus 2017*,
- Statement No. 86, *Certain Debt Extinguishment Issues*

For the year ending June 30, 2019

- Statement No. 83, *Certain Asset Retirement Obligations*

For the year ending June 30, 2020

- Statement No. 84, *Fiduciary Activities*

For the year ending June 30, 2021

- Statement No. 87, *Leases*

Management has not yet determined the effects of these statements on the University's financial statements.

Note 2: Reporting Entity

The University of Arkansas System, which prior to 1969 consisted of the Fayetteville and Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College), and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute in Crossett and Great Rivers Technical Institute in McGehee merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts, a residential high school, joined the University on January 1, 2004. On February 1, 2017, Pulaski Technical College and Rich Mountain Community College became the sixth and seventh two-year college to join the UA System. In addition to these campuses, the University includes the System Administration, whose financial statements include eVersity, and the following units that are included in the financial statements of the Fayetteville campus: Clinton School of Public Service, Division of Agriculture (Agricultural Experiment Station and the Cooperative Extension Service), Arkansas Archeological Survey, and the Criminal Justice Institute.

All programs and activities of the University of Arkansas System are governed by its Board of Trustees, which has been accorded constitutional status for the exercise of its powers and authority by Amendment 33 to the Arkansas Constitution. The Board of Trustees has delegated to the President the administrative authority for all aspects of the University's operations. Administrative authority is further delegated to the Chancellors, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the CJI, the Director of AAS, and the Director of ASMSA, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

The financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this statement, the University is an institution of higher education of the State of Arkansas (primary government).

Note 3: Net Patient Services Revenue and Charity Care

Patient care operations are included in the accompanying financial statements under accounting principles generally followed by governmental colleges and universities. Patient accounts receivable at June 30, 2017 and 2016, are recorded net of an allowance for doubtful accounts of \$331,482,000 and \$404,672,000, respectively.

Net patient services revenue for the years ended June 30, 2017 and 2016, are as follows:

GROSS PATIENT REVENUE	2017	2016
Gross patient revenue	\$ 3,014,287,000	\$ 2,864,535,000
Less: patient services contractual allowances	(1,792,176,000)	(1,651,452,000)
Less: provision for bad debt	(35,747,000)	(36,227,000)
TOTAL	\$ 1,186,364,000	\$ 1,176,856,000

UAMS provided approximately \$47,668,000 and \$77,654,000 in charity care, based on established rates, during the years ended June 30, 2017 and 2016, respectively. Because UAMS does not pursue collection of amounts determined to qualify as charity care, they are not included in gross patient revenue above. Net patient services revenue for the years ended June 30, 2017 and 2016, includes approximately \$78,269,000 and \$73,891,000, respectively, from the Medicaid program representing payments relating to Upper Payment Limit and Disproportionate Share reimbursements. These payments are available to state-operated teaching hospitals under Medicaid regulations. Net patient services revenue for the years ended June 30, 2017 and 2016, includes approximately \$42,368,000 and \$35,520,000, respectively, of net revenue from the Supplemental Medicaid program.

The Hospital, Faculty Group Practice (FGP), and Area Health Education Centers (AHECs) have agreements with governmental and other third-party payors that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with significant third-party payors is as follows:

Hospital:

Medicare – Inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Some transplantation services are paid based upon a cost reimbursement methodology. Outpatient services are paid based on a prospective payment system where services are classified into groups called Ambulatory Payment Classifications (APC). Services in each APC are similar clinically and in terms of the resources they require. The Hospital is paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audit by the Medicare fiscal intermediary. As of June 30, 2017, the Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2015.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The Hospital is paid at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audits by the Medicaid audit contractor. The Hospital is required to pay the federal match for the difference in reimbursement between the Tax Equity and Fiscal Responsibility Act inpatient rate and full cost. For outpatient services, the Hospital is required to pay the federal match for the difference reimbursed between the outpatient prospective rates and full cost. As of June 30, 2017, the Hospital's Medicaid cost reports have been audited by the Medicaid audit contractor through June 30, 2012.

FGP and AHECs:

Services rendered to both Medicare and Medicaid program beneficiaries are reimbursed on prospectively determined rates per unit of service.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net adjustments to estimated settlements resulted in no change to net patient services revenue for the years ended June 30, 2017 and 2016. Management believes that UAMS is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Hospital, FGP, and AHECs have agreements with certain commercial insurance carriers and preferred provider organizations, which include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Additionally, UAMS has agreements to provide healthcare professionals to independent healthcare providers at contractually determined rates. These providers are responsible for billing and collecting from patients and third party payors, as applicable, for the services provided by UAMS staff supplied by these contracts.

Note 4: Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. The University accrues the dollar value of leave benefits in accordance with generally accepted accounting principles which require accrual of salary-related payments directly and incrementally associated with compensated absences, such as employer's share of social security taxes, as well as applicable salary expenses. These leave benefits are payable upon retirement, termination, or death of employees, up to the maximum allowed.

Full-time, non-classified employees accrue annual leave at the rate of fifteen hours per month and full-time classified employees accrue at a variable rate (from eight to fifteen hours per month) depending upon the number of years of employment in state government. Employees who are less

than full-time, but are at least 50% time, accrue annual leave at prorated amounts. Under the University's policy, an employee may carry accrued annual leave forward from one calendar year to another, up to a maximum of 240 hours (30 working days). Classified employees who meet the conditions to be considered retirees at the time of termination of employment, are entitled to a partial payment of accumulated, unused sick leave in accordance with the provisions of Arkansas Code Annotated (A.C.A.) § 21-4-501. In accordance with A.C.A. § 21-4-505, two-year institutions may, at their discretion, provide to non-classified employees the same compensation for accumulated unused sick leave provided to classified employees. The Code also allows four-year institutions the same option. Three campuses have chosen to follow the policy for non-classified employees: CCCUA, UACCB and UACCM. Sick leave for those three campuses can be paid upon termination in accordance with guidelines outlined in the law. In no event shall an employee receive a sick leave amount that exceeds \$7,500.

Changes in compensated absences are shown below:

COMPENSATED ABSENCES					
Campus	Balance 6/30/16	Additions	Reductions	Balance 6/30/17	Current Portion
UAF	\$20,204,725	\$ 1,268,717	\$ 236,828	\$21,236,614	\$ 1,535,013
UAFS	1,653,423	194,322	158,436	1,689,309	231,748
UALR	4,374,402	319,198	384,319	4,309,281	424,236
UAMS	52,713,000	7,043,000	2,057,000	57,699,000	3,447,000
UAM	1,125,678	884,855	920,792	1,089,741	112,369
UAPB	2,319,647	2,220,295	2,138,419	2,401,523	152,079
CCCUA	372,533	300,631	303,730	369,434	18,472
PCCUA	481,202	456,046	423,391	513,857	29,367
UACCB	483,730	392,342	393,393	482,679	25,392
UACCH	381,776	366,638	367,719	380,695	30,143
UACCM	363,277	351,254	342,784	371,747	34,386
UAPTC	728,985	739,698	701,494	767,189	146,678
UACCRM	215,515	220,027	215,845	219,697	25,799
ASMSA	121,650	32,341	11,007	142,984	15,959
SYSTEM	631,251	552,811	616,540	567,522	24,929
TOTAL	\$86,170,794	\$15,342,175	\$ 9,271,697	\$92,241,272	\$ 6,253,570

The beginning balance at June 30, 2016 shown above includes two campuses that merged with the University on July 1, 2016. The balance of compensated absences for UAPTC was \$728,985 and for UACCRM was \$215,515. These amounts are not included in the prior year amount in the Statement of Net Position.



Note 5: Cash, Cash Equivalents and Investments

A.C.A. §19-4-805 authorizes institutions of higher learning to determine the depositories and nature of investments of any of their cash funds which are not currently needed for operating purposes.

Cash and Cash Equivalents

Cash deposits are carried at cost. The following schedule reconciles the amount of deposits to the statement of net position at June 30, 2017:

Cash and Cash Equivalents	
Cash deposits at year end	\$ 441,375,499
cash held on deposit in state treasury	6,855,112
cash equivalents	12,189,834
cash on hand	153,016
adjustment for deposits in transit within the system	193,714
Less: cash/cash equiv shown as deposits held in trust on SNP	(26,145,931)
TOTAL	\$ 434,621,244

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized. At June 30, 2017, none of the University's bank balance were exposed to custodial credit risk.

Investments

Investments are reported at fair value, which, for reporting purposes, is market value. The following is a summary of the University's investments held at June 30, 2017:

Investment Type	Fair Value
Mutual & Money Market Funds	\$ 23,730,473
Corporate & Municipal Bonds	26,193,085
External Investment Pool	392,266,747
Certificate of Deposits	33,851,006
U.S. Treasury & Government Sponsored Agencies	189,530,639
Commercial Paper	81,534,052
Other	2,816,009
Sub-Total	749,922,011
-shown as cash/cash equiv on Stmt of Net Position	(1,198,223)
-shown as deposits held in trust on Stmt of Net Position	(125,058,084)
Investments as reported on Stmt of Net Position	\$ 623,665,704

The University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following tables show these risks for the University's funds outside the external investment pool.

Investment Type	Fair Value	Interest Rate Risk			
		Investment Maturities (in years)			
		Less than 1	1 to 5	over 5	More than 10
Bonds	\$ 26,193,085	\$ 6,127,067	\$ 18,713,581	\$ 1,302,376	\$ 50,061
Commercial Paper	81,534,052	81,534,052			
U.S. Treasury & Gov't Agencies	187,755,772	86,798,430	84,927,337	9,522,448	6,507,557
Totals	\$ 295,482,909	\$ 174,459,549	\$ 103,640,918	\$ 10,824,824	\$ 6,557,618

Investment Type	Fair Value	Credit Risk				
		AAA	AA	A	B & below	Not Rated
Mutual Funds	\$ 21,310,631	\$ 20,293,895	\$ -	\$ -	\$ -	\$ 1,016,736
Commercial Paper	81,534,052	81,534,052				
Bonds	26,193,085	7,745,270	18,100,458	347,357	-	-
Totals	129,037,768	109,573,217	18,100,458	347,357	-	1,016,736

External Investment Pool

In 1997, the University of Arkansas and the University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. Subsequent to its establishment, other entities have joined including the Walton Arts Foundation in 1998, the Fayetteville Campus Foundation in 2003, the University of Arkansas Community College at Hope Foundation in 2007, the Razorback Foundation in 2012, and the University of Arkansas Technology Development Foundation in 2016.

The external investment pool is exempt from registration with the Securities and Exchange Commission. The University of Arkansas Board of Trustees and the University of Arkansas Foundation Board of Trustees were the sponsors of this investment pool and were responsible for operation and oversight for the pool. All participation in this investment pool is voluntary.

In January 2010, the University of Arkansas Investment Committee approved an agreement which delegated authority to the UA Foundation to manage University funds held in the Pool. The agreement included delegation of all responsibility for all investment guidelines and performance objectives for accounts within the Pool. The agreement also delegated to the UA Foundation authority for further delegation of portfolio implementation decisions to one or more investment managers. In January 2010, the UA Foundation entered into such an agreement with Cambridge Associates, LLC.

The implementation of GASB 72 during the fiscal year ended June 30, 2016, caused management to reassess the University of Arkansas Board of Trustees' sponsorship role. Based on the UA Foundation's fiduciary responsibilities outlined in the January 2010 agreement, management concluded that the UA Foundation acts as sole sponsor of this investment pool.

At June 30, 2017, six campuses (UAF, UALR, UAMS, UAM, UAPB, and UACCM) and six foundations participated in the Pool, whose net assets totaled \$1,879,311,744. The Pool was combined with 20.41% of the net assets owned by the University of Arkansas and external portions as follows: 49.46% by the University of Arkansas Foundation, 28.42% by the Fayetteville Campus Foundation, 0.74% by the Walton Arts Foundation, 0.11% by the University of Arkansas

Community College at Hope Foundation, 0.03% by the University of Arkansas Technical Development Foundation, and 0.83% by the Razorback Foundation. The following tables contain information on the risk disclosure of the Pool.

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Statement of Invested Assets
June 30, 2017

Investment Type	Fair Value*
Equities	529,355,249
Common Stock	243,790,593
Funds - Common Stock	259,232,645
Rights/Warrants	78,107
Funds - Equities ETF	26,253,904
Fixed Income	435,256,959
Government Bonds	109,856,684
Corporate Bonds	34,926,706
Government Mortgage Backed Securities	25,289,255
Commercial Mortgage-Backed	2,778,176
Asset Backed Securities	13,067,624
Non-Government Backed C.M.O.s	1
Funds - Fixed Income ETF	249,338,513
Venture Capital and Partnerships	635,535,299
Partnerships	635,535,299
Hedge Fund	243,195,051
Hedge Equity	207,324,244
Hedge Event Driven	35,870,807
All Other	529,239
Recoverable Taxes	529,239
Cash/Cash Equivalents	35,439,947
Funds - Short Term Investment	35,244,484
Cash	(3,783,549)
Invested Cash	3,979,012
TOTAL	1,879,311,744

*Includes accrued income



UNIVERSITY OF ARKANSAS SYSTEM – Notes to Consolidated Financial Statements FY2017

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL Credit Risk - S&P Quality Ratings June 30, 2017

Investment Type & Fair Value*	AAA	AA	A	BBB	BB	NR	US GOVN. GUAR
Asset Backed Securities	\$9,343,000					\$3,710,161	
Commercial Mortgage-Backed	\$1,019,254					\$1,752,024	
Corporate Bonds	\$387,669	\$3,887,845	\$17,095,920	\$13,185,837		\$90,854	
Funds - Fixed Income ETF						\$249,338,513	
Funds - Short Term Investment						\$35,224,573	
Government Bonds					\$5,465		\$109,496,036
Govn Mortgage Backed Securities							\$25,213,043
Hedge Event Driven						\$35,870,807	
Non-Govn Backed C.M.O.s						\$1	
Total	\$10,749,923	\$3,887,845	\$17,095,920	\$13,185,837	\$5,465	\$325,986,933	\$134,709,079

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL Years to Maturity June 30, 2017

Investment Type	Fair Value*	Less than 1	1+ to 6	6+ to 10	10+	Maturity not Determined
Asset Backed Securities	\$13,053,161		\$13,053,161			
Commercial Mortgage-Backed	\$2,771,278				\$2,771,278	
Corporate Bonds	\$34,648,125	\$163,585	\$17,239,473	\$11,462,252	\$5,782,815	
Funds - Fixed Income ETF	\$249,338,513					\$249,338,513
Funds - Short Term Investment	\$35,224,573					\$35,224,573
Government Bonds	\$109,501,501		\$15,188,477	\$91,499,111	\$2,813,913	
Govn Mortgage Backed Securities	\$25,213,043				\$25,213,043	
Hedge Event Driven	\$35,870,807					\$35,870,807
Non-Government Backed C.M.O.'s	\$1					\$1
Total	\$505,621,002	\$163,585	\$45,481,111	\$102,961,363	\$36,581,049	\$320,433,894

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL Interest Rate Sensitivity - Effective Duration June 30, 2017

Investment Type	Fair Value*	Effective Duration
Asset Backed Securities	\$13,053,161	1.80
Commercial Mortgage-Backed	\$2,771,278	1.49
Corporate Bonds	\$34,557,271	6.51
Corporate Bonds	\$90,854	N/A
Funds - Fixed Income ETF	\$249,338,513	N/A
Funds - Short Term Investment	\$35,224,573	N/A
Government Bonds	\$109,501,501	8.18
Govn Mortgage Backed Securities	\$25,213,043	4.37
Hedge Event Driven	\$35,870,807	N/A
Non-Govn Backed C.M.O.s	\$1	N/A
Total	\$505,621,002	

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Foreign Currency Risk By Investment Type
June 30, 2017

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
AUSTRALIAN DOLLAR	\$4,278,385	\$5,335,408	\$0
CANADIAN DOLLAR	(\$1,021,434)	\$1,339,906	\$25,822
SWISS FRANC	\$23,041	\$7,692,780	\$147,246
HK OFFSHORE CHINESE YUAN RENMINBI	(\$888,450)	\$0	\$0
CHINESE YUAN RENMINBI	(\$3,434,686)	\$0	\$0
DANISH KRONE	(\$43)	\$2,596,919	\$8,289
EURO	(\$3,744,527)	\$41,768,950	\$281,094
BRITISH POUND STERLING	\$5,390,749	\$14,119,604	\$0
HONG KONG DOLLAR	\$63,817	\$8,953,151	\$0
NEW ISRAELI SHEKEL	\$612	\$594,564	\$0
JAPANESE YEN	\$3,486,581	\$24,348,743	\$52,065
SOUTH KOREAN WON	\$0	\$2,628,988	\$0
NORWEGIAN KRONE	\$401,941	\$1,078,645	\$0
NEW ZEALAND DOLLAR	\$5	\$515,523	\$0
POLISH ZLOTY	\$1,787	\$0	\$0
SWEDISH KRONA	\$1,656,360	\$4,675,519	\$0
SINGAPORE DOLLAR	\$554,732	\$1,148,698	\$0
Total	\$6,768,870	\$116,797,398	\$514,516

*Includes accrued income

Endowment Funds

A.C.A. § 28-69-804 states, “Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution.

The University does not have a uniform policy addressing the authorization and spending of investment income. Such policies have been established at the applicable campuses and include spending rates averaged over a specified period and compliance with donor restrictions. The computation of net appreciation on investments of donor-restricted endowments that were available for expenditure at June 30, 2017, and June 30, 2016, are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Total Endowment	\$ 162,943,631	\$ 147,961,791
Less: Funds treated as endowment	(48,511,378)	(44,533,367)
Less: Non-expendable portion of endowment	(49,334,742)	(48,099,545)
Available for Expenditure	<u>\$ 65,097,511</u>	<u>\$ 55,328,879</u>

Note 6: Fair Value Measurement

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The statement established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

An individual investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of that investment and does not necessarily correspond to the University's perceived risk of that investment.

The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date. Publicly traded equity securities and mutual funds are the primary investments included in Level 1 and are valued at the individual security's closing market price.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from independent sources. These types of sources would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, models or other valuation methodologies. Level 2 investments include U.S. and international government debt securities valued at market corroborated prices and certain equity and fixed income investments in commingled investment vehicles reported at net asset value derived from the market prices of security holdings.

Level 3: Inputs that are unobservable. Unobserved inputs are those that reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager pricing for private equities, hedge funds and certain limited partnerships. Limited partner interests in private equity and other partnerships and hedge fund investments are included in Level 3 and are valued using the individual investment manager's reported estimates of fair value developed in accordance with reasonable valuation policies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes

its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level within the valuation hierarchy, University invested funds, including amounts reported as deposits with bond trustees on the Statement of Net Position, at June 30, 2017:

Summary of Investments by Fair Value Level				
Investment by fair value level	Level 1	Level 2	Level 3	Total
Equity Securities:				
US	\$ 5,963,399	\$ 402,463	\$ -	\$ 6,365,862
International	-	57,232	-	57,232
Fixed Income Securities:				
US Government Debt	8,198,479	165,500,910	-	173,699,389
Other Debt Securities	6,743,663	97,047,579	29,754,932	133,546,174
Commingled Funds:				
US Equity	104,046	28,458	-	132,504
International Equity	83,750	29,315	-	113,065
US Government Bonds	13,175,469	1,808,067	-	14,983,536
Non-US Government Bonds	-	-	-	-
Corporate Bonds	186,724	509,305	-	696,029
Exchange Traded Funds:				
Equity	595,000	-	-	595,000
Fixed Income	177,000	-	-	177,000
Other Partnerships:				
US (j)			1,215,379	1,215,379
International (k)				
Certificates of Deposit	12,256,301	1,251,027	-	13,507,328
Non-marketable alternatives	-	-	3,016	3,016
Marketable alternatives	4,121	-	-	4,121
Money markets and short-term investments	11,474,261	35,755	-	11,510,016
Total investments by fair value level	\$ 58,962,213	\$ 266,670,111	\$ 30,973,327	\$ 356,605,651
Investments measured at NAV (net asset value)				
External Investment Pool - Total Return Pool - UA Foundation				\$ 267,362,180
External Investment Pool - Intermediate Pool - UA Foundation				\$ 124,685,476
External Investment Pool - UA FS Foundation				\$ 219,091
Total investments by NAV				\$ 392,266,747
TOTAL INVESTMENTS				\$ 748,872,398

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a funds accounting technique or are provided by time deposit custodians. Securities classified in Level 3 are valued using par value on the face of the investments.

Investments Measured at the NAV at June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool - UA Foundation				
Total Return Pool (1)	\$ 267,362,180	\$ -	Daily	0 - 30 days
Intermediate Pool (2)	124,685,476	-	Daily	0 - 30 days
External Investment Pool - UAFS Foundation	219,091	-	Daily	0 days
Total Investments measured at the NAV	\$ 392,266,747	\$ -		

- (1) This type includes investments in a broadly diversified external investment pool. Pooled investments include allocations to global equities, hedge funds, bonds, natural resources and real estate. The assets in the pool are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board. A one-week notice is required for redemptions over \$1 million. There is also a requirement for 30-days written notice if total withdrawals will exceed \$25 million in any 30 day period.
- (2) This type includes investments in an external investment pool comprised of fixed income investments. The pooled investments are allocated primarily to intermediate term government bonds and investment-grade intermediate term corporate bonds. The pool also includes allocations to mortgage-backed securities, high yield bonds, emerging market debt and money market funds. The assets in the pool are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board. A one-week notice is required for redemptions over \$1 million. There is also a requirement for 30-days written notice if total withdrawals will exceed \$25 million in any 30 day period.

Note 7: Income Taxes

The University is tax exempt under the Internal Revenue Code except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2017. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

Note 8: Bonds, Notes, Capital Leases and Installment Contracts Payable

The retirement of some bond issues is secured by a specific pledge of certain gross revenues, surplus revenues and specific fees. Separate accounting is not required for these facilities under the provisions of the debt instruments; accordingly, segment reporting is not required for financial reporting purposes. A summary of long-term debt by campus is shown below. Total debt of \$1,482,839,924 shown in these schedules, which is related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,477,167,373 shown on the Statement of Net Position. This is due to an elimination entry of \$5,672,551 to account for two loans between UA campuses (see Note 19).

Schedule of Debt by Campus

UNIVERSITY OF ARKANSAS FAYETTEVILLE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
12/15/2009	11/1/2039	3.00% to 5.00%	\$ 52,430,000	\$ 6,450,000	\$ 45,980,000
6/30/2010	9/15/2020	1.00% to 4.82%	23,965,000	13,985,000	9,980,000
6/29/2011	11/1/2040	2.00% to 5.00%	101,225,000	10,695,000	90,530,000
6/29/2011	11/1/2022	3.00% to 5.00%	8,895,000	1,105,000	7,790,000
6/29/2011	9/15/2021	2.00% to 4.895%	23,575,000	23,575,000	-
4/17/2012	11/1/2032	1.00% to 5.00%	56,965,000	8,580,000	48,385,000
9/13/2012	11/1/2042	2.00% to 5.00%	60,540,000	3,625,000	56,915,000
5/16/2013	11/1/2042	1.00% to 5.00%	54,450,000	4,520,000	49,930,000
5/16/2013	9/15/2027	1.00% to 5.00%	30,355,000	5,920,000	24,435,000
6/30/2014	11/1/2043	2.00% to 5.00%	24,730,000	1,085,000	23,645,000
6/30/2014	11/1/2043	0.85% to 4.50%	5,020,000	255,000	4,765,000
2/12/2015	11/1/2036	2.00% to 5.00%	70,360,000	5,645,000	64,715,000
2/12/2015	9/15/2022	2.00% to 5.00%	14,180,000	980,000	13,200,000
8/27/2015	11/1/2045	1.02% to 4.40%	7,510,000	145,000	7,365,000
8/27/2015	11/1/2021	2.00% to 5.00%	36,675,000	10,680,000	25,995,000
4/5/2016	11/1/2046	3.00% to 5.00%	93,590,000	1,560,000	92,030,000
4/5/2016	11/1/2028	0.87% to 3.25%	15,280,000	1,025,000	14,255,000
10/19/2016	9/15/2036	5.00%	24,845,000		24,845,000
10/19/2016	9/15/2034	1.192% to 3.388%	90,000,000		90,000,000
11/30/1991	5/1/2022	5.50%	3,000,000	2,113,008	886,992
11/29/1995	11/1/2034	2.00% to 5.00%	2,071,140	1,374,087	697,053
7/31/2015	7/1/2023	1.97%	4,935,766	583,335	4,352,431
7/31/2015	11/19/2023	0.0199	16,969,012	3,790,729	13,178,283
7/31/2015	1/8/2023	0.0195	6,844,590	1,515,266	5,329,324
Various	Various	Various	863,794	521,292	342,502
	Net unamortized premium/discount		76,730,036	13,529,443	63,200,593
TOTALS			\$ 906,004,338	\$ 123,257,160	\$ 782,747,178

UNIVERSITY OF ARKANSAS AT FORT SMITH

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	12/1/2021	2-4%	\$ 29,895,000	\$ 15,385,000	\$ 14,510,000
12/1/2010	12/1/2035	2-4.75%	9,300,000	1,500,000	7,800,000
1/1/2012	12/1/2030	2-4.25%	17,540,000	4,235,000	13,305,000
6/1/2014	6/1/2031	2-3.5%	5,295,000	690,000	4,605,000
6/1/2014	12/1/2039	2-5%	10,930,000	825,000	10,105,000
10/20/2016	12/1/2034	2-5%	19,500,000	-	19,500,000
2/29/2012	1/1/2022	0%	2,166,500	1,083,250	1,083,250
5/12/2012	5/4/2027	4.00%	650,000	178,357	471,643
	Net unamortized premium/discount		5,882,032	1,229,845	4,652,187
TOTALS			\$ 101,158,532	\$ 25,126,452	\$ 76,032,080

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
4/1/2012	5/1/2037	2%-5%	\$ 14,880,000	\$ 1,900,000	\$ 12,980,000
9/19/2012	12/1/2029	1%-5%	13,850,000	3,060,000	10,790,000
4/24/2013	12/1/2024	1%-5%	10,770,000	3,085,000	7,685,000
4/24/2013	12/1/2024	.530%-2.884%	6,530,000	2,035,000	4,495,000
8/1/2013	10/1/2030	2%-5%	28,740,000	3,610,000	25,130,000
2/24/2016	10/1/2029	2%-5%	22,475,000	175,000	22,300,000
4/6/2016	10/1/2034	2%-5%	24,490,000	870,000	23,620,000
8/23/2011	12/1/2020	0.00%	1,732,620	1,111,111	621,509
1/11/2017	1/1/2027	0.00%	505,111	-	505,111
Various	Various	.0198-1.26%	3,936,193	3,468,584	467,609
	Net unamortized premium/discount		16,004,706	5,439,607	10,565,099
TOTALS			\$ 143,913,630	\$ 24,754,302	\$ 119,159,328

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	7/1/2019	2.0% - 4.5%	\$ 7,605,000	\$ 4,755,000	\$ 2,850,000
12/21/2010	12/1/2030	2.00% - 5.00%	42,680,000	6,405,000	36,275,000
11/15/2011	7/1/2034	2.0% - 4.25%	8,985,000	1,670,000	7,315,000
5/14/2013	11/1/2034	1.0% - 5.0%	112,665,000	11,025,000	101,640,000
12/17/2014	3/1/2036	2.00% - 5.00%	86,035,000	3,770,000	82,265,000
Various	Various	Various	43,770,000	16,511,000	27,259,000
Various	Various	Various	30,682,000	7,955,000	22,727,000
	Net unamortized premium/discount		32,761,000	6,092,000	26,669,000
TOTALS			\$ 365,183,000	\$ 58,183,000	\$ 307,000,000

UNIVERSITY OF ARKANSAS AT MONTICELLO

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/2010	10/1/2018	2.0% - 2.35%	\$ 2,870,000	\$ 2,105,000	\$ 765,000
2/1/2012	12/1/2035	2.0% - 4.0%	8,745,000	1,420,000	7,325,000
12/1/2012	10/1/2037	1% - 4.0%	8,650,000	1,015,000	7,635,000
3/30/2017	12/1/2041	5.00%	11,270,000		11,270,000
3/30/2017	12/1/2023	1.94%-2.99%	1,765,000		1,765,000
1/27/2009	2/1/2019	0.53%	1,000,000	807,097	192,903
	Net unamortized premium/discount		1,999,713	107,169	1,892,544
TOTALS			\$ 36,299,713	\$ 5,454,266	\$ 30,845,447

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/12/2005	12/1/2017	2.8% - 3.8%	\$ 3,330,000	\$ 3,090,000	\$ 240,000
6/1/2014	6/30/2036	2% - 5.0%	15,160,000	480,000	14,680,000
6/1/2014	12/1/2018	1.875%	1,810,000	1,065,000	745,000
12/15/2016	1/1/2035	2.51%	17,245,359	-	17,245,359
	Net unamortized premium/discount		1,095,017	141,375	953,642
TOTALS			\$ 38,640,376	\$ 4,776,375	\$ 33,864,001

UNIVERSITY OF ARKANSAS SYSTEM ADMINISTRATION

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
11/17/2014	11/17/2024	0.22%	\$ 500,000	\$ 99,123	\$ 400,877
4/1/2016	4/1/2026	1.75%	2,487,749	-	2,487,749
12/1/2016	12/1/2026	1.75%	2,487,749	-	2,487,749
			<u>\$ 5,475,498</u>	<u>\$ 99,123</u>	<u>\$ 5,376,375</u>

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/13/2013	5/1/2035	1.0% - 3.625%	\$ 3,930,000	\$ 475,000	\$ 3,455,000
1/25/2008	3/30/2023	2.91%	2,000,000	1,213,745	786,255
Various	Various	Various	13,451	10,977	2,474
	Net unamortized premium/discount		141,059	25,843	115,216
	TOTALS		<u>\$ 6,084,510</u>	<u>\$ 1,725,565</u>	<u>\$ 4,358,945</u>

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
4/22/2015	12/1/2038	2.0% - 4.0%	\$ 11,270,000	\$ 650,000	\$ 10,620,000
6/1/2013	6/1/2018	4.30%	219,026	175,273	43,753
	Net unamortized premium/discount		272,074	24,908	247,166
	TOTALS		<u>\$ 11,761,100</u>	<u>\$ 850,181</u>	<u>\$ 10,910,919</u>

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/15/2010	12/1/2018	1.0% - 3.25%	\$ 2,295,000	\$ 1,735,000	\$ 560,000
2/2/2010	2/1/2020	0.45%	1,000,000	695,271	304,729
10/1/2016	10/1/2026	0.68%	2,000,000		2,000,000
	Net unamortized premium/discount		4,032	3,353	679
	TOTALS		<u>\$ 5,299,032</u>	<u>\$ 2,433,624</u>	<u>\$ 2,865,408</u>

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	9/1/2020	1.00% - 4.00%	\$ 4,625,000	\$ 3,115,000	\$ 1,510,000
6/1/2013	10/1/2038	1.00% - 3.625%	2,590,000	285,000	2,305,000
3/27/2012	4/1/2022	0.20%	1,100,000	547,253	552,747
	Net unamortized premium/discount		111,731	75,912	35,819
	TOTALS		<u>\$ 8,426,731</u>	<u>\$ 4,023,165</u>	<u>\$ 4,403,566</u>

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/18/2005	11/1/2017	3.0% - 4.0%	\$ 2,095,000	\$ 1,900,000	\$ 195,000
6/16/2010	5/1/2022	2.0% - 3.5%	2,030,000	1,105,000	925,000
2/23/2016	5/1/2046	3.5% - 5.0%	10,000,000	-	10,000,000
7/30/2010	8/1/2020	0.38%	800,000	516,539	283,461
	Net unamortized premium/discount		975,148	46,048	929,100
	TOTALS		<u>\$ 15,900,148</u>	<u>\$ 3,567,587</u>	<u>\$ 12,332,561</u>

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT RICH MOUNTAIN

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
8/15/2012	4/1/2042	1.0 - 4.15%	\$ 4,830,000	\$ 475,000	\$ 4,355,000
8/15/2012	4/1/2042	1.2 - 4.15%	1,870,000	200,000	1,670,000
	Net unamortized premium/discount		(11,610)	(1,935)	(9,675)
	TOTALS		\$ 6,688,390	\$ 673,065	\$ 6,015,325

UNIVERSITY OF ARKANSAS PULASKI TECHNICAL COLLEGE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
9/29/2011	4/1/2041	2.0-5.0%	\$ 69,485,000	\$ 7,450,000	\$ 62,035,000
7/1/2015	6/30/2037	2.0-5.0%	25,875,000	1,785,000	24,090,000
	Net unamortized premium/discount		907,167	103,376	803,791
	TOTALS		\$ 96,267,167	\$ 9,338,376	\$ 86,928,791

Schedule of Changes in Debt

BONDS

Campus	Balance 6-30-16	Additions	Reductions	Balance 6-30-17	Current Portion
UAF	\$ 605,315,000	\$ 114,845,000	\$ 25,400,000	\$ 694,760,000	\$ 25,705,000
Net unamortized prem/disc	62,004,805	5,154,015	3,958,227	63,200,593	3,954,973
UAFS	76,160,000	19,500,000	25,835,000	69,825,000	5,030,000
Net unamortized prem/disc	2,255,471	2,692,100	295,384	4,652,187	345,008
UALR	111,645,000		4,645,000	107,000,000	4,870,000
Net unamortized prem/disc	11,325,968		760,869	10,565,099	760,868
UAMS	237,310,000		6,965,000	230,345,000	7,205,000
Net unamortized prem/disc	28,248,000		1,579,000	26,669,000	-
UAM	16,640,000	13,035,000	915,000	28,760,000	935,000
Net unamortized prem/disc	294,476	1,632,036	33,968	1,892,544	82,617
UAPB	16,450,000		785,000	15,665,000	805,000
Net unamortized prem/disc	1,002,848		49,206	953,642	49,206
CCCUA	3,580,000		125,000	3,455,000	130,000
Net unamortized prem/disc	121,677		6,461	115,216	6,461
PCCUA	10,950,000		330,000	10,620,000	330,000
Net unamortized prem/disc	258,662		11,496	247,166	11,496
UACCB	830,000		270,000	560,000	275,000
Net unamortized prem/disc	1,158		479	679	479
UACCH	4,370,000		555,000	3,815,000	565,000
Net unamortized prem/disc	46,697		10,878	35,819	10,877
UACCM	11,485,000		365,000	11,120,000	370,000
Net unamortized prem/disc	961,605		32,505	929,100	32,505
UAPTC	88,080,000		1,955,000	86,125,000	2,000,000
Net unamortized prem/disc	842,511		38,720	803,791	38,720
UACCRM	6,185,000		160,000	6,025,000	165,000
Net unamortized prem/disc	(10,062)		(387)	(9,675)	(387)
TOTAL	\$ 1,296,353,816	\$ 156,858,151	\$ 75,081,806	\$ 1,378,130,161	\$ 53,677,823

NOTES

Campus	Balance 6-30-16	Additions	Reductions	Balance 6-30-17	Current Portion
UAF	\$ 1,754,858		\$ 170,813	\$ 1,584,045	\$ 179,811
UAFS	1,299,900		216,650	1,083,250	216,650
UALR	843,731	505,111	222,222	1,126,620	422,222
UAMS	40,149,000	3,621,000	16,511,000	27,259,000	10,809,000
UAM	294,636		101,733	192,903	101,918
CCCUA	925,867		139,612	786,255	143,730
UACCB	405,396	2,000,000	100,667	2,304,729	295,076
UACCH	662,635		109,888	552,747	110,108
UACCM	363,761		80,300	283,461	80,605
SYSTEM	2,938,242	2,487,749	49,616	5,376,375	49,725
TOTAL	\$ 49,638,026	\$ 8,613,860	\$ 17,702,501	\$ 40,549,385	\$ 12,408,845

CAPITAL LEASES

Campus	Balance 6-30-16	Additions	Reductions	Balance 6-30-17	Current Portion
UAF	\$ 285,805	\$ 248,207	\$ 191,510	\$ 342,502	\$ 220,657
UAFS	509,666		38,023	471,643	39,573
UALR	1,277,789		810,180	467,609	421,015
UAMS	27,469,000	3,213,000	7,955,000	22,727,000	6,498,000
UAPB	-	17,245,359	-	17,245,359	-
CCCUA	5,152		2,678	2,474	2,474
PCCUA	89,559		45,806	43,753	43,753
TOTAL	\$ 29,636,971	\$ 20,706,566	\$ 9,043,197	\$ 41,300,340	\$ 7,225,472

INSTALLMENT CONTRACTS

Campus	Balance 6-30-16	Additions	Reductions	Balance 6-30-17	Current Portion
UAF	\$ 26,191,591		\$ 3,331,553	\$ 22,860,038	\$ 3,463,936

The current portion shown above for bonds, notes, capital leases, and installment contracts differs from the statement of net position by \$21,122, which is the current portion of an elimination entry (see Note 19). The beginning balance at June 30, 2016, above, includes bonds payable for UAPTC of \$88,922,511 and for UACCRM of \$6,174,938, which are not reflected in the Statement of Net Position due to the mergers being effective on July 1, 2016.

Future Principal and Interest Payments

Total long-term debt principal and interest payments are shown below. Interest payments for variable rate debt have been calculated using the rate in effect at the financial statement date, though actual rates will vary. Total debt of \$1,482,839,924 shown in these schedules, which is related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,477,167,373 shown on the Statement of Net Position. This is due to an elimination entry of \$5,672,551 to account for two loans between UA campuses (see Note 19).

FUTURE PRINCIPAL AND INTEREST PAYMENTS			
Year Ended June 30,	Principal	Interest	Total
2018	\$ 71,483,253	\$ 56,113,442	\$ 127,596,695
2019	77,388,491	54,620,464	132,008,955
2020	71,118,077	51,665,915	122,783,992
2021	68,599,346	49,039,043	117,638,389
2022	66,735,045	46,337,611	113,072,656
2023-2027	300,160,170	193,000,508	493,160,678
2028-2032	308,455,501	126,572,967	435,028,468
2033-2037	275,834,880	61,758,537	337,593,417
2038-2042	113,110,000	16,545,621	129,655,621
2043-2047	19,900,000	1,574,965	21,474,965
TOTALS	1,372,784,763	657,229,073	2,030,013,836
+ Net unamortized premiums/discounts	110,055,161	-	110,055,161
GRAND TOTALS	\$ 1,482,839,924	\$ 657,229,073	\$ 2,140,068,997

Capitalization of Assets held under Capital Leases

The capitalized value of capital assets held under capital leases totaled \$42,045,285 at June 30, 2017. The present value of the net minimum lease payments is as follows:

	Cost	Accumulated Depreciation	Net
CIP	\$ 8,544,009	\$ -	\$ 8,544,009
Improvements/Infrastructure	868,686	356,593	512,093
Buildings	26,303,000	13,053,000	13,250,000
Equipment	32,312,813	19,433,630	12,879,183
Other	10,025,000	3,165,000	6,860,000
		TOTAL	<u>\$ 42,045,285</u>
Total Minimum Lease Payments			\$ 47,769,668
Less: Amount representing interest			<u>6,469,328</u>
Total Present Value of Net Minimum Lease Payments			<u>\$ 41,300,340</u>

Pledged Revenues

For purposes of extinguishing the University's long-term debt issues, certain revenues have been pledged as security. The following is a summary of the gross revenues collected during the fiscal year ended June 30, 2017, that are pledged:

BOND SERIES	REVENUE SOURCE	FY17 REVENUE
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UNIVERSITY OF ARKANSAS FAYETTEVILLE		
Series 1997 Various Facilities	Student Tuition and Fees	\$ 296,366,889
Series 2005B Various Facilities	Sales and Services	8,685,226
Series 2007 Various Facilities	Residential Life	65,722,511
Series 2008A&B Various Facilities	Bookstore	15,425,386
Series 2009A Various Facilities	Student Health Services	2,406,462
Series 2011A&B Various Facilities	Transit and Parking	9,438,067
Series 2012A Various Facilities	Other Auxiliaries	286,959
Series 2012B Various Facilities		
Series 2013 Various Facilities		
Series 2014A&B Various Facilities		
Series 2015A Various Facilities		
Series 2015B Various Facilities		
Series 2015C Various Facilities		
Series 2016A Various Facilities		
Series 2016B Various Facilities		
		\$ 398,331,500
Maturity dates range from November, 2021 through November, 2046		
	FY17 Principal and Interest	\$ 43,194,954
	% of Revenues Pledged	10.84%
	Remaining Principal & Interest	\$ 848,275,869
Series 2010 Athletic Refunding	Men's Athletics	98,456,238
Series 2011 Athletic Facilities	(less game guarantees)	(3,410,450)
Series 2013 Athletic Facilities		
Series 2015 Athletic Facilities		
Series 2016A Athletic Facilities		
Series 2016B Athletic Facilities		
		\$ 95,045,788
Maturity dates range from September, 2016 through September, 2036		
	FY17 Principal and Interest	\$ 11,094,054
	% of Revenues Pledged	11.67%
	Remaining Principal & Interest	\$ 223,021,797

UNIVERSITY OF ARKANSAS AT FORT SMITH		
Series 2010 Student Fee Revenue	Student Fees	\$ 38,087,904
Series 2010B Student Fee Revenue		
Series 2012 Refunding		
Series 2014A Student Fee Revenue		
Series 2014B Student Fee Revenue		
Series 2016 Refunding		
		\$ 38,087,904
Maturity dates range from December, 2021 through June, 2039		
	FY17 Principal and Interest	\$ 6,895,678
	% of Revenue Pledge	18.10%
	Remaining Principal & Interest	\$ 93,884,946

UNIVERSITY OF ARKANSAS AT LITTLE ROCK			
Series 2013A Revenue Refunding	Student Fees	\$	75,731,745
Series 2013 Student Fee Revenue Capital Improvements			
Series 2013B Taxable Revenue Refunding			
Series 2016, Revenue Refunding		\$	75,731,745
Maturity dates range from December, 2024 through October, 2030			
	FY17 Principal and Interest	\$	5,410,153
	% of Revenue Pledge		7.14%
	Remaining Principal & Interest	\$	77,439,290
Series 2009 Auxiliary Enterprises Revenue	Auxiliaries	\$	18,570,806
Series 2012A Student Housing Revenue			
Series 2012B Student Housing Refunding		\$	18,570,806
Maturity dates range from December, 2029 through May, 2037			
	FY17 Principal and Interest	\$	3,983,201
	% of Revenue Pledge		21.45%
	Remaining Principal & Interest	\$	68,137,478

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES			
Series 2006 Various Facilities	Clinical Programs	\$	821,359,000
Series 2010 Various Facilities			
Series 2013 Various Facilities		\$	821,359,000
Maturity dates range from July, 2019 through March, 2036			
	FY17 Principal and Interest	\$	16,180,000
	% of Revenue Pledge		1.97%
	Remaining Principal & Interest	\$	326,649,000
Series 2010 Refunding Parking System	Parking Fees	\$	4,071,000
Series 2011 Refunding Parking System		\$	4,071,000
Maturity dates range from July, 2019 through July, 2034			
	FY17 Principal and Interest	\$	1,601,000
	% of Revenue Pledge		39.33%
	Remaining Principal & Interest	\$	13,007,000



UNIVERSITY OF ARKANSAS AT MONTICELLO			
Series 2012 Various Facilities Refunding	Student Fees	\$	20,537,355
Series 2017B (Taxable) Various Facilities	Sales and Services		247,998
Series 2017A (Tax-Exempt) Various Facilities	Auxiliary Enterprises		6,869,998
		\$	27,655,351
Maturity dates range from December, 2023 through December, 2041			
	FY17 Principal and Interest	\$	535,426
	% of Revenue Pledge		1.94%
	Remaining Principal & Interest	\$	33,201,046
Series 2010 Auxiliary Facilities Refunding	Auxiliary Enterprises	\$	6,869,998
Series 2012 Auxiliary Facilities			
		\$	6,869,998
Maturity dates range from October, 2018 through December, 2041			
	FY17 Principal and Interest	\$	900,938
	% of Revenue Pledge		13.11%
	Remaining Principal & Interest	\$	11,540,874

UNIVERSITY OF ARKANSAS AT PINE BLUFF			
Series 2005B Various Facilities Revenue	Unrestricted Funds	\$	32,895,510
Series 2014A Various Facilities			
Series 2014B Various Facilities Refunding			
		\$	32,895,510
Maturity dates range from December, 2017 through December, 2035			
	FY17 Principal and Interest	\$	1,415,404
	% of Revenue Pledge		4.30%
	Remaining Principal & Interest	\$	22,342,698

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS			
Series 2013	Student Fees	\$	3,836,092
Maturity date is May, 2035			
	FY17 Principal and Interest	\$	262,987
	% of Revenue Pledge		6.86%
	Remaining Principal & Interest	\$	4,766,656

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS			
Series 2015 Refunding	Student Fees	\$	2,966,651
Maturity date is December, 2038			
	FY17 Principal and Interest	\$	684,769
	% of Revenue Pledge		23.08%
	Remaining Principal & Interest	\$	14,984,666

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE			
Series 2010 Student Fee Refunding	Student Fees	\$	3,193,719
Maturity date is December, 2018			
	FY17 Principal and Interest	\$	291,133
	% of Revenue Pledge		9.12%
	Remaining Principal & Interest	\$	577,293

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE			
Series 2010 Student Fee Revenue	Student Fees	\$	2,955,187
Series 2013 Student Fee Refunding			
		\$	2,955,187
Maturity dates are September, 2020 through October, 2038			
	FY17 Principal and Interest	\$	691,525
	% of Revenue Pledge		23.40%
	Remaining Principal & Interest	\$	4,912,856

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON			
Series 2005 Student Fee Refunding	Student Fees	\$	6,630,234
Series 2010 Student Fee Refunding			
Series 2016 Student Fee			
		\$	6,630,234
Maturity dates are November, 2017 through May, 2046			
	FY17 Principal and Interest	\$	823,468
	% of Revenue Pledge		12.42%
	Remaining Principal & Interest	\$	18,700,990

UNIVERSITY OF ARKANSAS PULASKI TECHNICAL COLLEGE			
Series 2011 Student Tuition and Fee	Student Fees	\$	25,066,842
Series 2015 Student Tuition and Fee Refunding			
		\$	25,066,842
Maturity dates are June, 2037 through April, 2041			
	FY17 Principal and Interest	\$	5,814,990
	% of Revenue Pledge		23.20%
	Remaining Principal & Interest	\$	144,712,458



UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT RICH MOUNTAIN			
Series 2012 Student Fee & Tuition Maturity date is April, 2042	Student Fees	\$	2,118,220
	FY17 Principal and Interest	\$	105,948
	% of Revenue Pledge		5.00%
	Remaining Principal & Interest	\$	2,629,078
Series 2012 Refunding and Capital Improvement Maturity date is April, 2042	Property Taxes	\$	426,616
	FY17 Principal and Interest	\$	271,013
	% of Revenue Pledge		63.53%
	Remaining Principal & Interest	\$	6,824,530

New Bonds Payable and Refundings

Fayetteville Campus:

On October 19, 2016, the University issued \$24,845,000 in Athletic Facilities Revenue Bonds (Fayetteville Campus), Tax-Exempt Series 2016A, with an interest rate of 5.0%; and \$90,000,000 in Athletic Facilities Revenue Bonds, (Fayetteville Campus), Taxable Series 2016B, with interest rates of 1.192% to 3.388%. The bonds were issued to provide funds to finance the construction, reconstruction, enlarging and repairing additional facilities including particularly improvements to and expansion of the Donald W. Reynolds Razorback Stadium and renovation and replacement of the Frank Broyles Athletic Center and related projects.

On April 5, 2016, the University issued \$93,590,000 in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding and Improvement Series 2016A and \$15,280,000 in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding Series 2016B. The Series 2016A bonds, with interest rates of 3.0% to 5.0% were issued to provide funds to finance various construction and renovation projects on the University campus, and to refund \$38,200,000 of outstanding bonds dated October 2, 2007, (Series 2007) with interest rates of 4.0% to 5.0%; and \$35,545,000 of outstanding bonds dated August 1, 2008, (Series 2008A) with interest rates of 4.0% to 5.0%. Net bonds proceeds and premiums of \$28,504,688 was available to finance construction of a civil engineering research and education center, a library storage building, campus entrance signs, intramural sports playing fields, and an addition to the Pat Walker Student Health Center; to finance renovations of student housing; and to continue renovations of Kimpel Hall, and Discovery Hall. The Series 2016B bonds with interest rates of 0.87% to 3.35% were issued on a taxable basis to refund \$13,500,000 of outstanding bonds dated August 1, 2008, (Series 2008B) with interest rates of 5.1% to 6.375%.

Net bond proceeds and premiums from Series 2016A and Series 2016B of \$94,689,148 along with \$1,873,821 of cash from the University was deposited into an escrow account to retire the bonds. The refunding of the bonds dated October 2, 2007, and all of the bonds dated August 1, 2008, was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,764,322 for the Series 2016A bonds and \$1,679,827 for the Series 2016B bonds. These differences, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2039 for Series 2016A and fiscal year 2029 for Series 2016B. The University completed the refunding to

reduce its total debt service payments over the next twenty-three years by \$13,450,092 and to obtain an economic gain of \$10,092,618. The escrow balance as of June 30, 2017, was \$88,521,712. The bonds will have regularly scheduled principal and interest payments made from the escrow account until the bond call dates of November 1, 2017, for Series 2007 and November 1, 2018, for Series 2008A and Series 2008B, at which times the remaining balances of each defeased bond issue will be refunded. The remaining balance of the defeased bonds as of June 30, 2017, was \$37,165,000 for Series 2007, \$34,665,000 for Series 2008A, and \$13,010,000 for Series 2008B.

Little Rock Campus: On February 24, 2016, the University issued \$22,475,000 in Series 2016 Enterprises Refunding Revenue Bonds, with interest rates of 2% to 5% to advance refund \$25,250,000 of the Series 2009 Capital Improvement Revenue Bonds, with interest rates of 4% to 5%. Bond proceeds and premium of \$27,180,955 were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$644,478. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2030 using the straight-line method. The University completed the refunding to reduce its total debt service requirements by \$2,314,066 over the next fourteen years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,170,844. The bonds will be fully paid by October 1, 2017. The balance in the escrow account at June 30, 2017, was \$24,389,388, and the remaining balance of the defeased bonds was \$22,300,000.

On April 6, 2016, the University issued \$24,490,000 in Series 2016 Auxiliary Revenue Refunding Bonds, with interest rates of 2% to 5% to advance refund \$25,600,000 of the Series 2009 Auxiliary Revenue Bonds, with interest rates of 4% to 5%. Bond proceeds and premium of \$28,581,504 were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,543,643. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2035 using the straight-line method. The University completed the refunding to reduce its total debt service requirements by \$1,736,111 over the next nineteen years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,152,088. The bonds will be fully paid by October 1, 2019. The balance in the escrow account at June 30, 2017, was \$26,837,069, and the remaining balance of the defeased bonds was \$23,620,000.

Fort Smith Campus: On October 20, 2016, the University issued refunding bonds of \$19,500,000.00 with interest rates of 2% to 5% to advance refund \$21,435,000.00 of outstanding bonds dated May 1, 2009 with interest rates of 2% to 5%. Bond proceeds of \$22,002,809 and debt service reserve funds of \$857,507 and deposit with trustee funds of \$781,102 were deposited in the advance refunding fund to retire the 2009 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,206,417. The difference, reported in the accompanying financial statements as a deferred outflow, will be amortized through the fiscal year 2035 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eighteen years by \$1,874,533 and to obtain an economic gain (difference between the present values of the

old and new debt) of \$1,709,148. The bonds will be fully paid by June 1, 2019. The escrow balance at June 30, 2017 was \$22,062,664, and the remaining balance of the defeased bonds was \$20,660,000.

Note 9: Commitments

The University has contracted for the construction and renovations of several facilities. At June 30, 2017, the estimated remaining costs to complete these facilities are shown below.

Campus	Contract Balance
UAF	\$ 190,399,774
UAFS	269,792
UALR	9,007,593
UAMS	11,161,000
UAM	8,792,976
UAPB	15,188,521
PCCUA	553,442
UACCB	118,072
UACCH	34,574
UACCM	8,105,284
UACCRM	99,053
ASMSA	51,755
	<u>\$ 243,781,836</u>

The University has entered into various operating leases for buildings and equipment. It is expected that in the normal course of business such leases will continue to be required. Total operating leases paid in the fiscal year ended June 30, 2017, were \$16,818,807. Below are the scheduled payments for each of the five succeeding fiscal years and thereafter.

Operating Leases	
Year Ended June 30,	Amount
2018	\$ 8,948,177
2019	5,148,071
2020	3,214,341
2021	1,540,791
2022	1,013,422
2023-2027	4,026,710

Note 10: Short-Term Borrowing

The GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, states that governments should provide details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. The University had no short-term debt activity during the fiscal year, nor is there any outstanding balance of short-term debt as of June 30, 2017.

Note 11: Capital Assets

Following are changes in capital assets for the year ended June 30, 2017:

CAPITAL ASSETS	June 30, 2016				June 30, 2017	
	Balance	Additions	Transfers	Deletions	Balance	
Land	\$ 107,422,135	\$ 2,779,287	\$ -	\$ -	\$ 110,201,422	
Library Holdings	139,772,898	8,088,361	-	\$ 1,918,666	145,942,593	
Construction in progress	107,396,881	125,008,272	\$ (104,001,717)	17,578	128,385,858	
Improvements and infrastructure	290,144,997	4,227,735	38,505,359	383,455	332,494,636	
Buildings	3,521,602,742	21,371,593	58,022,352	16,939,493	3,584,057,194	
Equipment	632,522,268	41,360,921	5,061,134	18,406,329	660,537,994	
Intangibles	163,100,914	173,000	7,474,000	2,052,575	168,695,339	
Other	53,587,405	1,536,648	(5,099,000)	3,000	50,022,053	
Total Capital Assets	5,015,550,240	204,545,817	(37,872)	39,721,096	5,180,337,089	
Less accumulated depreciation:						
Library Holdings	118,439,981	4,825,004	-	1,916,204	121,348,781	
Improvements and infrastructure	140,740,735	13,618,143	-	2,167,611	152,191,267	
Buildings	1,415,948,652	113,684,802	-	13,029,218	1,516,604,236	
Equipment	505,745,967	41,566,796	\$ 5,454,128	18,316,735	534,450,156	
Intangibles	101,004,744	8,792,883	-	-	109,797,627	
Other	22,461,808	4,751,381	(5,492,000)	-	21,721,189	
Total Accum Depreciation	2,304,341,887	187,239,009	(37,872)	35,429,768	2,456,113,256	
Capital Assets, Net	\$ 2,711,208,353	\$ 17,306,808	\$ -	\$ 4,291,328	\$ 2,724,223,833	

Library holdings, including old and rare books, valued at \$1,316,000, held by the Medical Sciences Campus, are not included in the above chart or in the accompanying Statement of Net Position. The beginning balance at June 30, 2016, above, includes capital assets and accumulated depreciation for UAPTC of \$139,461,840 and \$37,441,172, respectively, and for UACCRM of \$22,734,288 and \$11,366,030, respectively, which are not reflected in the Statement of Net Position due to the mergers being effective on July 1, 2016.

Note 12: Risk Management

The University of Arkansas Risk Management Program provides insurance coverage for all campuses within the University of Arkansas System with the exception of the Fort Smith campus. The role of the System Office is to analyze and recommend insurance coverage, but it is ultimately up to each campus to inform the System Office regarding their specific coverage requirements.

Property coverage is insured through FM Global with a \$100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock campuses. The other covered campuses have a \$50,000 deductible. The FM Global policy also contains earthquake/flood and domestic/foreign terrorism coverage. Additionally, the Fayetteville, Medical Sciences, Phillips, and Morrilton campuses have business interruption coverage with FM Global.

Auto coverage, through Cypress Insurance, has a physical damage deductible of \$1,000 and provides coverage against liability losses up to \$1,000,000 per occurrence.

The Medical Sciences campus maintains malpractice insurance for certain employees under a claims-made policy. The Fort Smith campus acquires its own property insurance through Alliant Property Insurance (\$25,000 deductible) and auto insurance through Cypress Insurance (\$5,000 deductible).

The University does not purchase general liability, errors or admissions, or tort immunity for claims arising from third-party losses on University property as the University of Arkansas has sovereign immunity against such claims. Claims against the University for such losses are heard before the State Claims Commission. In such cases where the University enters into a lease agreement to hold a function at a location not owned by the University or for special events off-campus, general liability coverage may be purchased for such functions.

The University maintains worker's compensation coverage through the State of Arkansas program. Premiums are paid through payroll and are based on a formula calculated by the Arkansas Department of Finance and Administration. The types of benefits and expenditures that are paid include the following: medical expenses, hospital expenses, death benefits, disability and claimant's attorney fees.

Additionally, the University participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of \$300,000 recovery per occurrence with a \$2,500 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Arkansas Department of Finance and Administration.

There have been no reductions in insurance coverage from the prior fiscal year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13: Employee Benefits

Insurance Plans

The Board of Trustees of the University of Arkansas System sponsors self-funded health (including prescription coverage) and dental benefit plans for University employees and their eligible dependents. All campuses participate in the health plan. All campuses, except CCCUA, PCCUA, UACCH, UAPTC and UACCRM, participate in the dental plan. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center, and the University of Arkansas Technology Development Foundation.

At June 30, 2017, a total of 17,859 active employees, former employees, and pre-65 retirees were participants in the health plan. As of June 30, 2017, the University offers two different health plans: Classic (HMO) and Point of Service (POS). Participating campuses pay anywhere from 40% to 92% of the Classic Plan premium and 35% to 86% of the Point of Service Plan premium.

Each campus makes its contribution determination based on budget considerations. Retirees and former employees, through COBRA, participate on a fully contributory basis. A total of 18,219 active employees, former employees, and retirees were participants in the dental plan as of June 30, 2017. The University pays 0% to 100% of the total premium for full-time active employees, while retirees and former employees, through COBRA, participate on a fully contributory basis.

Both plans are accounted for on the accrual basis. The System administration estimates the medical, pharmacy and dental claims liability to be \$15,180,200 at June 30, 2017. This liability is established for incurred but not paid (IBNP) claims, and includes a related accrual for claim adjustment expenses, which are expenses incurred in the ultimate settlement of the claim. The claims and claims adjustment accrual for health, pharmacy and dental is based on the calculation prepared by Sibson Consulting.

The System administration purchases specific reinsurance from United Healthcare-BP to reduce its exposure to large claims. In a fiscal year, after paying claims of more than \$1,000,000 for any one covered individual, the University pays an aggregating specific deductible of \$125,000, whether from one or more covered individuals also exceeding \$1,000,000 in paid claims, before being reimbursed from the reinsurance company. The plan has not purchased any annuity contracts on behalf of claimants. If needed, the University would make arrangements through its reinsurance carrier.

The funding levels for the Plan were established based upon anticipated year-end loss ratios of 95%. As of June 30, 2017, the loss ratio for the health plan was 90% and the loss ratio for the dental plan was 94%.

The System administration retains and accounts for all of the risk financing associated with the self-insurance plan's activities in accordance with GAAP.



Reconciliation of Changes in the Liability for Future Insurance Claims		
	FY17	FY16
Unpaid claims and claim adjustment expenses at beginning of year	\$ 18,412,300	\$ 20,800,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	147,636,140	151,039,946
Adjustment in provision for insured events of prior years	(4,297,346)	(5,710,599)
Total incurred claims and claim adjustment expenses	143,338,794	145,329,347
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	132,455,940	132,627,646
Claims and claim adjustment expenses attributable to insured events of prior years	14,114,954	15,089,401
Total Payments	146,570,894	147,717,047
Total unpaid claims and claim adjustment expenses at end of year	\$ 15,180,200	\$ 18,412,300

The liability for future insurance claims includes health, pharmacy and dental incurred but not paid (IBNP) claims/claim adjustment expenses only.

Retirement Plans

Approximately ninety-seven percent of all employees of the University participate in the University of Arkansas Retirement Program (URP). The URP is a defined contribution 403(b) and 457(b) program as defined by the Internal Revenue Service Code. The authority under which the URP's benefits provisions are established or amended is through the President of the University through the Board of Trustees. Arkansas Code Annotated authorizes participation in the plan. Active vendors to the URP includes Teachers Insurance Annuity Association (TIAA) and Fidelity Investments.

The URP is a contributory plan with the required employee contribution and the University matching contribution, within IRS match limits, varying by campus. All four-year campuses are transitioning to a uniform contribution formula by July 2020. That contribution formula requires an employer base contribution of 5% of an employee's eligible salary to their TIAA and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice, with a required employee contribution of 5%. The University makes an equal contribution for employee contributions in excess of 5%, with a maximum total University contribution of 10% of eligible salary up to the IRS match limit, which at June 30, 2017, was \$27,000. The transition period began in July 2016 and provides for an annual increase of 1% in the employee required contribution percentage to reach 5% by July 2020. The most common formula in place at the community college campuses is a required employee contribution of 6% of eligible salary with a University contribution of 10% of eligible salary. Employee contributions in excess of 10% are allowed by the plans in accordance with Internal Revenue Service regulations, but the University does not match these additional contributions. All benefits attributable to plan contributions made by the participant are immediately vested in the participant, and contributions made by the University are cliff vested upon completion of two consecutive years of URP participation. The

University's TIAA and Fidelity contributions for the fiscal year 2017 were \$97,178,361. The participants' contributions for the fiscal year 2017 were \$106,100,806.

The majority of the remaining benefits eligible employees of the University participate in one of the two State-sponsored defined benefit retirement plans which are closed to new University participant enrollment. Current University employees who are participants in the Arkansas Public Employees Retirement System (APERS) or the Arkansas Teachers Retirement System (ATRS) continue in that participation. Current University employees who are current APERS or ATRS participants and who transfer without a break in service between University campuses may continue in APERS participation.

APERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of Arkansas. The University's required contribution rate was 14.50% in fiscal year 2017. Those employees hired after July 1, 2005, must be contributory unless they had prior service as a state employee. Employees hired before that date may be contributory. The University's contributions for the fiscal year 2017 were \$5,847,656. Participants' contributions for the fiscal year 2017 were \$1,674,039. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. APERS issues a publicly available financial report, which may be obtained by writing: APERS, One Union National Plaza, 124 W. Capitol, 5th Floor, Little Rock, AR 72201.

ATRS is a cost-sharing multi-employer defined benefit pension plan. The University contributes 14% of all covered employees' salaries. Under certain conditions, covered employees may voluntarily contribute 6% of their salary. The University's contributions for the fiscal year 2017 were \$2,210,329. Participants' contributions for the fiscal year 2017 were \$733,779. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. ATRS issues a publicly available financial report, which may be obtained by writing: ATRS, 1400 W. 3rd Street, Little Rock, AR 72201.

Cooperative Extension Service employees who previously held appointments with the U.S. Department of Agriculture are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), depending on date of appointment. Both plans are single-employer defined benefit plans. The CSRS plan became effective in 1920, and established retirement benefits for certain federal employees. Congress created the FERS plan in 1986, becoming effective on January 1, 1987. Since that time new federal civilian employees who have retirement coverage are covered under the FERS plan. FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security and the Thrift Savings Plan. As of June 30, 2017, ten active employees were covered under the CSRS plan and thirteen active employees were covered under the FERS plan. Participants in the CSRS plan contribute 7% of salaries and employers are required to contribute 7%. Participants in the FERS plan are required to contribute 0.80% of salaries and employers are required to contribute 13.7% for the Basic Benefit and Social Security portions of the plan benefits. The University's and participants' CSRS and FERS contributions were \$223,094 and \$72,563 respectively for the fiscal year ended June 30, 2017.

The Thrift Savings Plan (TSP) is the third component of the FERS plan and is a supplement to the CSRS plan. It is a defined contribution plan designed to provide retirement income for Federal

employees similar to a 401(k) plan. The TSP is administered by the Federal Retirement Thrift Investment Board. For FERS participants, employers are required to contribute an amount equal to 1% of salaries to a TSP account established for the participant. Employees may also contribute to their TSP account, with employer matching on the first 5% of employee contributions up to 4%. There is no employer matching for CSRS participants. All contributions are exempt from taxation. The University's and participants' TSP contributions were \$56,273 and \$99,315 respectively for the fiscal year ended June 30, 2017.

Additionally, employees covered by these plans may also participate in the University of Arkansas Retirement Plan which includes Teachers Insurance Annuity Association (TIAA) and Fidelity Investments, but are not eligible for any additional University contribution.

The University has, from time to time, negotiated voluntary early retirement agreements with faculty and staff which may include the provision of a stipend and healthcare or other benefits for future periods. The amount of liability established for these type agreements was \$1,734,487 and \$1,853,052, respectively, at June 30, 2017, and June 30, 2016.

NOTE 14: Defined Benefit Pension Plans

Arkansas Public Employees Retirement System (APERS)

Plan Description

APERS is a cost-sharing, multiple-employer, defined benefit plan administered by the State of Arkansas. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration. APERS issues a publicly available financial report that can be obtained at <http://www.apers.org/annualreports>.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 4 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, 7/1/2005 – 6/30/2007	2.03%
Contributory, on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,

- at any age with 28 years actual service.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55, or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective July 1, 2016, new employees of the University are no longer eligible to participate in the Arkansas Public Employees Retirement System (APERS). Existing APERS participants are allowed to continue APERS participation.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. Members who began service prior to July 1, 2005, who elected to remain in the non-contributory plan, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to participate in the contributory plan and contribute 5% of their salaries. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.5% of applicable compensation for the fiscal year ended June 30, 2017. The University's and members' contributions for the year ending June 30, 2017, were \$5,847,656 and \$1,674,039, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2017, the University reported a liability of \$52,660,632 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on the university's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2017, the university's proportion was 2.202%, which was an increase of 0.543% from its proportion measured as of June 30, 2016. This increase is affected by adding the campuses of UAPTC and UACCRM.

For the year ended June 30, 2017, the University recognized pension expense of \$9,825,353. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,720	\$ (1,889,042)
Changes of assumptions or other inputs	4,035,456	
Net difference between projected and actual earnings on pension plan investments	9,194,106	
Changes in the proportion and differences between the employer contributions and share of contributions	6,688,904	(636,141)
University contributions subsequent to the measurement date	5,847,656	
Total	\$ 25,815,842	\$(2,525,183)

Deferred outflows of resources of \$5,847,656, related to pensions resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Year ended June 30:	
2018	\$ 4,386,966
2019	4,016,968
2020	6,068,743
2021	2,970,326
2022	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Investment Rate of Return	7.50%
Salary Increases	3.25% – 9.85% including inflation
Wage Inflation	3.25%
Post-Retirement Cost-of-Living Increases	3.00% Annual Compounded Increase

Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2013 valuation pursuant to an experience study for the period 2007-2012.
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.4487

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38%	6.82%
International Equity	24	6.88
Real Assets	16	3.07
Absolute Return	5	3.35
Domestic Fixed	17	0.83
Total	100%	

Assumption Changes: Economic assumptions were updated in the June 30, 2015 valuation to a 7.50% investment return assumption, a 2.50% price inflation assumption, and a 3.25% wage inflation assumption. These assumptions were unchanged in the June 30, 2016 valuation.

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. It incorporates a municipal bond rate of 2.85% based on the "20-Bond GO Index" from the *Bond Buyer Index* of general obligation municipal bonds (based on the weekly rate closest to but not later than the measurement date).

The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected

to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Discount Rate		
1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$79,715,014	\$52,660,632	\$30,144,886

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued APERS financial report.

Arkansas Teacher Retirement System (ATRS)

Plan Description

ATRS is a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Arkansas. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 266 of 1937. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the fifteen members of the Board of Trustees of the Arkansas Teacher Retirement System (the Board). Membership includes eleven members who are elected and consist of seven active members of ATRS with at least five years of actual service, three retired members receiving an annuity from ATRS, and one active or retired member from a minority racial ethnic group. There are also four ex officio members, including the State Bank Commissioner, the Treasurer of the State, the Auditor of the State and the Commissioner of Education. ATRS issues a publicly available financial report that can be obtained at <https://www.arters.gov/publications>.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapter 7 and may only be amended by the Arkansas General Assembly. ATRS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

- Contributory 2.15%
- Non-Contributory 1.39%

Members are eligible to retire with a full benefit under the following conditions:

- at age 60 with 5 years of credited service,
- at any age with 28 years credited service.

Members with 25 years of credited service who have not attained age 60 may retire with a reduced benefit.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Survivor benefits are payable to qualified survivors upon the death of an active member with 5 years of service. The monthly benefit paid to eligible spouse survivors is computed as if the member had retired and elected the Joint & 100% Survivor option. Minor child survivors receive a percentage of the member's highest salary earned. ATRS also provides a lump sum death benefit for active and retired members with 10 years of actual service. The amount for contributory members will be up to \$10,000 and up to \$6,667 for noncontributory members. A cost-of-living adjustment of 3% of the current benefit is added each year.

Effective July 1, 2011, new employees of the University are no longer eligible to participate in the Arkansas Teacher Retirement System (ATRS). Existing ATRS participants are allowed to continue ATRS participation.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 7. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or noncontributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year. Employers are required to contribute at a rate established by the Board of ATRS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.00% of applicable compensation for the fiscal year ended June 30, 2017. The University's and member's contributions for the year ending June 30, 2017, were \$2,210,329 and \$733,779, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

At June 30, 2017, the University reported a liability of \$26,000,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2017, the University's proportion was 0.589 percent, which was an increase of 0.194 from its proportion measured as of June 30, 2016. This increase is affected by adding the campuses of UAPTC and UACCRM.

For the year ended June 30, 2017, the University recognized pension expense of \$2,179,970. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 471,584	\$ (360,615)
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	3,984,618	-
Changes in the proportion and differences between the employer contributions and share of contributions	160,386	(3,068,128)
University contributions subsequent to the measurement date	2,210,329	-
Total	\$ 6,826,917	\$(3,428,743)

Deferred outflows of resources related to pensions of \$2,210,329, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Year ended June 30:	
2018	\$(375,417)
2019	(375,417)
2020	1,321,908
2021	831,993
2022	(215,222)

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, closed
Amortization Period	30 years
Asset Valuation Method	4-year smoothed market; 20% corridor
Wage Inflation	3.25%
Salary Increases	3.25 – 9.10% including inflation
Investment Rate of Return	8.00%
Post-Retirement Cost-of-Living Increases	3.00% Simple
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study for the period July 1, 2005 – June 30, 2010
Mortality Table	Based on RP-2000 Mortality table for males and females, projected 25 years with scale AA, (95% for men & 87% for women)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	50%	5.0%
Fixed Income	20	0.8
Alternatives	5	4.4
Real Assets	15	3.4
Private Equity	10	6.3
Cash Equivalents	-	-0.2
Total	100%	

Discount Rate

A single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions

will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

Sensitivity of Discount Rate		
1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
\$39,065,678	\$26,000,421	\$15,046,354

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued ATRS financial report.

NOTE 15: Other Postemployment Benefits (OPEB)

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the fiscal year ending June 30, 2008. This statement requires governmental entities to recognize and match other postemployment benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The calculation reflects expected future medical costs. It includes an accrual for all active employees by valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postemployment benefits. As a result of the implementation of this statement, the University accrued \$68,680,550 in retiree healthcare liability as of June 30, 2017.

As of February 1, 2017, the University of Arkansas Pulaski Technical College and, as of April 1, 2017, the University of Arkansas Community College at Rich Mountain (UACCRM) joined the health plan. Both of these entities maintain their own dental plans.

University of Arkansas System

The University offers postemployment health (including prescription drugs) and dental benefits, along with life insurance (\$10,000 available coverage), to eligible retirees. Health and dental benefits are provided in the University's self-funded plan sponsored by the Board of Trustees of the University of Arkansas System for current and pre-65 retired employees. The plan is

considered a single-employer, defined benefit plan. The System Administration manages and administers the plan. Although benefits are also provided under the University's plan for the employees of the University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, the Walton Arts Center Foundation, Inc., the Razorback Foundation, Inc., and the University of Arkansas Technology Development Foundation, no postemployment benefit is accrued by the University for these private entities. Financial activities of the plan are reported in the accompanying consolidated financial report.

Retirees pay 100% of premiums for all campuses with the exception of UACCM, who will pay the premium for those employees retiring on or after age 62 with at least 20 years of service. Employer costs are funded on a pay-as-you-go basis for all campuses. Retirees qualify for postemployment benefits as follows:

CCCUA: Employees must be at least age 60 and have at least 5 years of service.

UACCM: Employees must be at least age 60 and have at least 10 years of service.

ALL OTHERS: Employees must have a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death.

Retirees pay 100% of the fully insured premium directly to United Healthcare. As a result, no liabilities for Medicare eligible retiree benefits are included in this valuation.

Summary of Key Actuarial Methods and Assumptions

Valuation date	July 1, 2016; Census data collected as of November 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.0%
Projected payroll growth rate	4.0%
Medical inflation rate	Immediate rate of 0.00%, 6.75% with an ultimate rate of 4.25%

General Overview of the Valuation Methodology

The process of determining the liability for retiree medical benefits is based on many assumptions about future events. Future increases in health care costs are affected by many factors, including: medical inflation; change in utilization patterns; technological advances; cost shifting; cost leveraging; and changes to government medical programs, such as Medicare.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and

assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods since the Prior Valuation:

The claim costs and trends were updated to reflect changes in benefits and experience and expectations for the future costs. Also, the initial retiree contribution was adjusted to reflect current contribution rates.

The election percentage for CCCUA, UACCM, UACCH and UAFS was changed to 55% of all active employees are assumed to elect coverage at retirement.

This report does not reflect future changes in benefits, penalties, taxes (including future excise taxes), or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations. It does reflect all ACA costs to date such as Patient-Center Outcomes Research Institute (PCORI) fees.

Medical Coverage – Retirees not Eligible for Medicare:

The claims costs were developed from the active premium rates for the period July 1, 2017 to June 30, 2018 loaded for 1% to reflect that premiums are set about 1% below expected costs. 70.3% of the premium was assumed to be for medical, 23.0% for pharmacy, and 6.8% for expenses. The claim and expense costs were trended back to the period July 1, 2016 to June 30, 2017 using an annual trend assumption of 0.0% for medical, 9.5% for pharmacy, and 3% expenses.

Dental Coverage:

The dental rates are set to match projected costs. Based on a comparison of the recent dental claims plus fees, the dental rates are set at a level sufficient to cover projected costs. Retirees pay 100% of the budget rate for coverage. Therefore, the cost for dental coverage was excluded from this valuation.

Mortality Rates:

Healthy	RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP-2014
Disabled	RP-2014 Fully Generational Mortality Table for disabled retirees using projection scale MP-2014

Withdrawal Rates: Select rates by location are based on length of service for the first five years and age thereafter:

<u>Year</u>	<u>UAF</u>	<u>UAMS</u>	<u>Other</u>
0	25%	30%	20%
1	25%	20%	20%
2	20%	18%	20%
3	16%	18%	15%
4	16%	15%	15%

Ultimate rates are from Sarason turnover table T-6 for UAF, table T-7 for UAMS, and table T-4 for all other locations except CCCUA, UACCM, UAFS, and UACCH. Rates for CCCUA, UACCM, UAFS, and UACCH vary and are available in the actuarial reports which can be obtained by writing to the University of Arkansas System.

Retirement Rates, CCCUA, UACCM, UAFS, and UACCH:

<u>Age</u>	<u>Rate</u>
50-59	5%
60	15%
61	14%
62	25%
63-64	15%
65	35%
66-68	30%
69 +	100%

Retirement Rates, All Others:

<u>Age</u>	<u>Rate</u>
50-59	5%
60-61	10%
62	15%
63-66	10%
67-69	50%
70 +	100%

Future Retiree Coverage: Retirees were assumed to remain in their current plan indefinitely (until age 65 at which point they would join the UHC Medicare Advantage plan).

55% of employees are assumed to elect medical, dental and Rx coverage at retirement.

75% of employees are assumed to elect life insurance coverage at retirement.

Future Dependent Coverage: 50% of future retirees are assumed to be married and elect spouse coverage.

Spouse Age Differential: Males are assumed to be 4 years older than females.

Determination of FY17 Accrual

Unfunded actuarial accrued liability at 7-1-16	\$ 57,432,000
Annual Required Contribution (ARC)	
Normal cost	\$ 3,411,000
Amortization of the unfunded actuarial accrued liability over 30 years	1,914,000
Interest	213,000
Annual Required Contribution for FY17	5,538,000
Interest on Net OPEB Obligation	2,511,000
ARC Amortization Adjustment	(2,176,000)
Annual OPEB Cost for FY17	\$ 5,873,000
Net OPEB Obligation, 7-1-16	\$ 62,779,000
Annual OPEB Cost for FY17	5,873,000
Less: Expected Employer Contributions	(1,976,000)
Net OPEB Obligation, 6-30-17	\$ 66,676,000

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution (ARC)	Annual Required Contribution (AOC)	Benefit Pymts During FY	Percentage Contributed	Net Obligation at Year-End
6-30-10	\$ 6,863,000	\$ 7,061,000	\$ 1,984,000	28.10%	\$ 30,808,000
6-30-11	5,960,000	6,197,000	1,674,000	27.01%	35,331,000
6-30-12	6,461,000	6,732,000	1,636,000	24.30%	40,427,000
6-30-13	6,069,000	6,379,000	2,016,000	31.60%	44,790,000
6-30-14	5,160,000	5,505,000	1,496,000	27.18%	49,064,000
6-30-15	7,681,000	8,059,000	2,156,000	26.75%	56,025,000
6-30-16	8,648,000	9,079,000	2,325,000	25.61%	62,779,000
6-30-17	5,538,000	5,873,000	1,976,000	33.65%	66,676,000



Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-10	\$ -	\$ 66,620,000	\$ 66,620,000	0%	\$ 952,170,000	7.00%
6-30-11	-	58,439,000	58,439,000	0%	977,592,000	5.98%
6-30-12	-	63,292,000	63,292,000	0%	1,042,067,000	6.07%
6-30-13	-	58,874,000	58,874,000	0%	1,072,222,000	5.49%
6-30-14	-	52,311,000	52,311,000	0%	1,103,764,000	4.74%
6-30-15	-	72,780,000	72,780,000	0%	1,127,553,000	6.45%
6-30-16	-	82,402,000	82,402,000	0%	1,167,667,000	7.06%
6-30-17	-	57,432,000	57,432,000	0%	1,298,871,000	4.42%

Pulaski Technical College

Pulaski Technical College sponsors an unfunded agent multi-employer defined benefit postretirement medical plan administered by the Arkansas Higher Education Consortium. The Board of Trustees adopted an early retirement policy 2.62 on May 10, 1999, later revised in April 2004 that will pay for a retiring full-time employee's individual health and basic life coverage up to the age of 65 years, provided that their age plus years of service equals 70. The employee must have at least 10 years of service with the College and be at least age 55 or older. Eligible employees may elect single or family coverage; however, the retiree will be entirely responsible for total cost of insurance premium for spouse and any unmarried dependent. The number of retired employees enrolled in the Pulaski Technical College Health Insurance Plan was eighteen as of June 30, 2017. A basic life insurance policy of \$20,000 is included with the medical coverage.

Summary of Key Actuarial Methods and Assumptions

Valuation date	June 30, 2017; Census data collected as of June 30, 2017
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	3.5%
Projected payroll growth rate	3.0%
Medical inflation rate	Immediate rate of 6.6% with an ultimate rate of 4.10%

Mortality Rates:

Healthy	RP-2000 Fully Generational Mortality Table for employees and healthy annuitants using projection scale AA
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Withdrawal Rates: Rates are based on gender and length of service for the first five years and gender and age thereafter:

Select rates (0 to 5 Years of service)			Ultimate Rates (After 5 years of service)		
Years of Service	Male	Female	Age	Male	Female
0-1	25.3%	18.0%	25	3.5%	4.0%
1-2	13.8%	11.3%	35	2.8%	2.9%
2-3	10.6%	9.1%	45	1.9%	1.8%
3-4	8.4%	8.4%	55	3.6%	2.6%
4-5	5.0%	6.6%			

Retirement Rates:

Age	Male	Female
55	9%	9%
56	11%	10%
57	11%	12%
58	11%	12%
59	14%	16%
60	16%	16%
61	15%	15%
62	30%	26%
63	24%	22%
64	22%	20%

Future Retiree Coverage: 40% of eligible employees who retire prior to age 65 are assumed to elect medical coverage under the plan.

Future Dependent Coverage: Current active members are assumed to elect spouse coverage at retirement as follows.

Male	Female
40%	40%

Spouse Age Differential: All female spouses are assumed to be 3 years younger than males.

Determination of FY17 Accrual

Unfunded actuarial accrued liability at 7-1-16	\$ 1,266,000
Annual Required Contribution (ARC)	
Normal cost	\$ 105,000
Amortization of the unfunded actuarial accrued liability over 30 years	45,000
Interest	-
Annual Required Contribution for FY17	150,000
Interest on Net OPEB Obligation	46,000
ARC Amortization Adjustment	(47,000)
Annual OPEB Cost for FY17	\$ 149,000
Net OPEB Obligation, 7-1-16	\$ 1,312,000
Annual OPEB Cost for FY17	149,000
Less: Actual Employer Contributions	(86,000)
Net OPEB Obligation, 6-30-17	\$ 1,375,000

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-09	\$ 116,000	\$ 5,000	4.31%	\$ 221,000
6-30-10	161,000	5,000	3.11%	377,000
6-30-11	163,000	5,000	3.07%	535,000
6-30-12	153,000	9,000	5.88%	679,000
6-30-13	155,000	12,000	7.74%	822,000
6-30-14	173,000	18,000	10.40%	977,000
6-30-15	173,000	44,000	25.43%	1,106,000
6-30-16	265,000	59,000	22.26%	1,312,000
6-30-17	149,000	86,000	57.72%	1,375,000

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-10	\$ -	\$ 776,000	\$ 776,000	0%	\$ 15,148,000	5.12%
6-30-12	-	741,000	741,000	0%	19,585,000	3.78%
6-30-14	-	883,000	883,000	0%	20,784,000	4.25%
6-30-16	-	1,759,000	1,759,000	0%	18,055,000	9.74%
6-30-17	-	1,266,000	1,266,000	0%	18,124,000	6.99%

Rich Mountain Community College (UACCRM)

The College offers postemployment health care and life insurance benefits to all employees who officially retire from the College and meet certain age and service-related requirements. Health care benefits are offered through the College's participation in the Arkansas Higher Education Consortium (AHEC), an unfunded agent multi-employer defined benefit plan. Regular retirement eligibility is for employees sixty (60) years of age and older in which they have at least twelve (12) continuous years of full time service to the College. Continuous years of full time service shall be defined as employment without a break in service (qualified leave does not count as a break in service). Early retirement eligibility for employees between the age of fifty-five (55) and sixty (60) are eligible for early retirement benefits in the calendar year in which the sum of the employee's age and number of years of continuous full-time services to the College totals seventy-two (72).

Benefits for retired employees consists of medical PPO coverage with rates the same as for current full-time employees. The College pays for 90% of the medical cost and the retired employee pays for 10%. While the college allows the spouse of the retired employee to purchase insurance through the plan, the College does not pay any of the cost associated with the spousal coverage. The College covers the cost of a \$20,000 life insurance policy for each retiree up to the age of 65. From age 65-70, the policy pays \$13,000 (or 65% of the original amount) and after 70, the policy pays \$10,000 (or 50% of the original amount). The retiree is eligible to continue to participate in the dental and vision insurance that they participated in while employed full time. Medical insurance benefits provided to retirees will terminate when the retiree becomes eligible for Medicare coverage.

Summary of Key Actuarial Methods and Assumptions

Valuation date	July 1, 2016; Census data collected as of July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.5%
Projected payroll growth rate	N/A
Medical inflation rate	Immediate rate of 10.0% with an ultimate rate of 5.00%

Changes in Actuarial Assumptions and Methods since the Prior Valuation:

The assumed discount rate was lowered from 4.75% (7/1/13 valuation) to 4.5%. This change increased the Unfunded Actuarial Accrued Liability at July 1, 2016, by \$18,000, and the ARC and Annual OPEB cost for 2016-2017 by \$2,000.

The assumed life expectancy was changed from the 1994 UP Table to the RP-2014 Table. This change increased the Unfunded Actuarial Accrued Liability at July 1, 2016, by \$11,000, and the ARC and Annual OPEB cost for 2016-2017 by \$2,000.

Mortality Rates:

Pre-Retirement	Deaths have been projected on the basis of the RP-2014 Mortality Table.
Post-Retirement	The RP-2014 Mortality Table was used. The life expectancy according to this table is as follows:

Age	Males	Females
55	28.90 years	31.36 years
65	20.01 years	21.99 years

Withdrawal Rates: Select rates by location are based on length of service for the first five years and age thereafter:

Age	Rate Per 100 Members
20	4.60%
25	4.84%
30	4.40%
35	3.10%
40	2.20%
45	2.00%
50	2.00%
55	5.00%

Retirement Rates:

Age	Rate Per 100 Members
55-59	5.0%
60	15.0%
61	14.0%
62	25.0%
63-64	15.0%
65	35.0%
66-68	30.0%
69	100.0%

Future Retiree Coverage: 100% of eligible retirees are assumed to elect medical and Rx coverage at retirement and 0% will continue it past 65.

Future Dependent Coverage: 80% of employees electing medical and Rx coverage at retirement are assumed to elect family coverage.

Determination of FY17 Accrual

Unfunded actuarial accrued liability at 7-1-16	<u><u>\$ 750,000</u></u>
Annual Required Contribution (ARC)	
Normal cost	\$ 66,000
Amortization of the unfunded actuarial accrued liability over 30 years	44,000
Interest	<u>5,000</u>
Annual Required Contribution for FY17	115,000
Interest on Net OPEB Obligation	26,000
ARC Amortization Adjustment	<u>(35,000)</u>
Annual OPEB Cost for FY17	<u><u>\$ 106,000</u></u>
Net OPEB Obligation, 7-1-16	\$ 570,000
Annual OPEB Cost for FY17	106,000
Less: Expected Actual Contributions	<u>(46,000)</u>
Net OPEB Obligation, 6-30-17	<u><u>\$ 630,000</u></u>

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-10	\$ 119,000	\$ 59,000	49.58%	\$ 189,000
6-30-11	97,000	41,000	42.27%	245,000
6-30-12	98,000	45,000	45.92%	298,000
6-30-13	98,000	48,000	48.98%	348,000
6-30-14	99,000	25,000	25.25%	422,000
6-30-15	100,000	25,000	25.00%	497,000
6-30-16	99,000	26,000	26.26%	570,000
6-30-17	106,000	46,000	43.40%	630,000

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-11	\$ -	\$ 661,000	\$ 661,000	0%	\$ 3,956,000	16.71%
6-30-14	-	688,000	688,000	0%	3,934,000	17.49%
6-30-17	-	750,000	750,000	0%	3,441,000	21.80%

Note 16: Other Organizations

There are in existence several entities, in addition to those identified as component units in Note 1, which are related to the University. The purposes of these organizations are varied, but all were established to benefit the University, or its students, faculty and staff in some manner.

The Razorback Foundation, Inc. was incorporated on October 17, 1980, for the sole purpose of supporting intercollegiate athletics at the Fayetteville campus. Audited financial statements for the year ended June 30, 2017, are presented below in summary form and include the accounts of its wholly owned subsidiaries, Sports Shows, Inc., Cato Springs Road LLC, TSSD LLC, and Hog Wild Productions, LLC.

THE RAZORBACK FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017

Assets	
Cash and investments	\$ 29,221,706
Other assets	50,440,237
Total Assets	<u>\$ 79,661,943</u>
Liabilities and Net Assets	
Liabilities	\$ 672,251
Net Assets	78,989,692
Total Liabilities and Net Assets	<u>\$ 79,661,943</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017

Income and Other Additions	\$ 39,835,543
Expenditures and Other Deductions	<u>(35,205,027)</u>
Total Increase in Net Assets	<u>\$ 4,630,516</u>

Arkansas Alumni Association, Inc. was incorporated in 1960 for the purpose of providing various services to the members, consisting of graduates, former students and friends, in connection with the promotion and furtherance of the Fayetteville campus. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.

**ARKANSAS ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017**

Assets		
Cash and investments	\$	2,679,465
Other assets		<u>8,766,417</u>
Total Assets	\$	<u><u>11,445,882</u></u>
Liabilities and Net Assets		
Liabilities	\$	1,286,991
Net Assets		<u>10,158,891</u>
Total Liabilities and Net Assets	\$	<u><u>11,445,882</u></u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017**

Income and Other Additions	\$	5,530,352
Expenditures and Other Deductions		<u>(4,290,223)</u>
Total Increase in Net Assets	\$	<u><u>1,240,129</u></u>

Arkansas 4-H Foundation, Inc. was incorporated in 1951. The purposes and objectives of the Foundation are exclusively educational. The Foundation was formed to encourage and support such purposes that will meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.

**ARKANSAS 4-H FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017**

Assets		
Cash and investments	\$	4,784,738
Other assets		<u>5,202,874</u>
Total Assets	\$	<u><u>9,987,612</u></u>
Liabilities and Net Assets		
Liabilities	\$	229,629
Net Assets		<u>9,757,983</u>
Total Liabilities and Net Assets	\$	<u><u>9,987,612</u></u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017**

Income and Other Additions	\$	2,437,536
Expenditures and Other Deductions		<u>(2,329,517)</u>
Total Increase in Net Assets	\$	<u><u>108,019</u></u>

University of Arkansas Technology Development Foundation was incorporated in May 2003, and is considered a supporting organization of the Fayetteville campus. Its mission is to stimulate a knowledge-based economy in the state of Arkansas through partnerships that lead to new opportunities for learning and discovery, build and retain a knowledge-based workforce, and spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.

**UNIVERSITY OF ARKANSAS TECHNOLOGY
DEVELOPMENT FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017**

Assets	
Cash and investments	\$ 1,620,806
Other assets	14,237
Total Assets	<u>\$ 1,635,043</u>
Liabilities and Net Assets	
Liabilities	\$ 109,245
Net Assets	<u>1,525,798</u>
Total Liabilities and Net Assets	<u>\$ 1,635,043</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017**

Income and Other Additions	\$ 1,744,460
Expenditures and Other Deductions	<u>(1,602,424)</u>
Total Increase in Net Assets	<u>\$ 142,036</u>

University of Arkansas Fort Smith Foundation, Inc. operates as a nonprofit corporation whose primary activity is providing support to the Fort Smith campus. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.



UNIVERSITY OF ARKANSAS FORT SMITH
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017

Assets	
Cash and investments	\$ 87,079,841
Other assets	365,136
Total Assets	<u>\$ 87,444,977</u>
Liabilities and Net Assets	
Liabilities	\$ 1,194,142
Net Assets	86,250,835
Total Liabilities and Net Assets	<u>\$ 87,444,977</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017

Income and Other Additions	\$ 13,211,975
Expenditures and Other Deductions	(4,668,570)
Total Increase in Net Assets	<u>\$ 8,543,405</u>

The University of Arkansas at Little Rock Alumni Association is utilized to receive and disburse funds obtained from gifts, activity fees and receipts from special projects. The Association operates as a nonprofit benevolent corporation for charitable educational purposes. The assets of the Association are held by the University of Arkansas Foundation, Inc.

Trojan Athletic Foundation, Inc. is a non-profit entity established to support the athletic department at the Little Rock campus. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.

TROJAN ATHLETIC FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017

Assets	
Cash	\$ 291,837
Other Assets	85,563
Total Assets	<u>\$ 377,400</u>
Liabilities and Net Assets	
Liabilities	\$ 3,561
Net Assets	373,839
Total Liabilities and Net Assets	<u>\$ 377,400</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017

Income and Other Additions	\$ 485,069
Expenditures and Other Deductions	(431,005)
Total Increase in Net Assets	<u>\$ 54,064</u>

University of Arkansas at Pine Bluff/AM&N Alumni Association, Inc. was organized to foster and promote the general welfare and growth of the University of Arkansas at Pine Bluff. Unaudited financial statements for the year ended December 31, 2016, are presented below in summary form.

UAPB/AM&N ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
UNAUDITED
As of December 31, 2016

Assets	
Cash & investments	\$ 216,029
Other assets	13,100
Total Assets	<u>\$ 229,129</u>
Liabilities and Net Assets	
Liabilities	\$ 25,726
Net Assets	203,403
Total Liabilities and Net Assets	<u>\$ 229,129</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2016

Income and Other Additions	\$ 128,000
Expenditures and Other Deductions	(132,531)
Total Decrease in Net Assets	<u>\$ (4,531)</u>

University of Arkansas at Pine Bluff Scholarship Endowment Fund was created to provide scholarships to a culturally diverse student population at the University of Arkansas at Pine Bluff. Financial information include in the Form 990 for the year ended December 31, 2016, are presented below in summary form.

UNIVERSITY OF ARKANSAS-PINE BLUFF
SCHOLARSHIP ENDOWMENT FUND
PER FORM 990
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2016

Assets	
Cash & investments	\$ 4,388,855
Total Assets	<u>\$ 4,388,855</u>
Liabilities & Net Assets	
Liabilities	\$ -
Net Assets	4,388,855
Total Liabilities & Net Assets	<u>\$ 4,388,855</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2016

Income and Other Additions	\$ 408,048
Expenditures and Other Deductions	(220,411)
Total Increase in Net Assets	<u>\$ 187,637</u>

Cossatot Community College of the University of Arkansas Foundation, Inc. assists in developing and improving the programs and facilities for their campuses. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.

**COSSATOT COMMUNITY COLLEGE OF THE
UNIVERSITY OF ARKANSAS FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017**

Assets	
Cash and investments	\$ 487,599
Other	49,000
Total Assets	<u>\$ 536,599</u>
Liabilities and Net Assets	
Liabilities	\$ 6,339
Net Assets	530,260
Total Liabilities and Net Assets	<u>\$ 536,599</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017**

Income and Other Additions	\$ 151,469
Expenditures and Other Deductions	(89,491)
Total Increase in Net Assets	<u>\$ 61,978</u>

Phillips Community College Foundation is dedicated to raising funds to support the Phillips Community College campus and to provide scholarships for its students. Audited financial statements for the year ended December 31, 2016, are presented below in summary form.

**PHILLIPS COMMUNITY COLLEGE FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2016**

Assets	
Cash and investments	\$ 3,639,079
Other Assets	71,499
Total Assets	<u>\$ 3,710,578</u>
Liabilities and Net Assets	
Liabilities	\$ 371,005
Net Assets	3,339,573
Total Liabilities and Net Assets	<u>\$ 3,710,578</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2016**

Income and Other Additions	\$ 624,639
Expenditures and Other Deductions	(638,335)
Total Decrease in Net Assets	<u>\$ (13,696)</u>

University of Arkansas Community College at Hope Foundation, Inc. operates for the sole benefit of the Hope campus. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE
AT HOPE FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash and investments	\$ 2,286,154
Other Assets	70,213
Total Assets	<u>\$ 2,356,367</u>
Liabilities and Net Assets	
Liabilities	\$ 101,738
Net Assets	2,254,629
Total Liabilities and Net Assets	<u>\$ 2,356,367</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 650,782
Expenditures and Other Deductions	(613,107)
Total Increase in Net Assets	<u>\$ 37,675</u>

Rich Mountain Community College Foundation, Inc. operates for the sole benefit of the Rich Mountain campuses. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**RICH MOUNTAIN COMMUNITY COLLEGE
FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash and investments	\$ 3,543,878
Other assets	74,883
Property and equipment	133,283
Total Assets	<u>\$ 3,752,044</u>
Liabilities and Net Assets	
Liabilities	\$ -
Net Assets	3,752,044
Total Liabilities and Net Assets	<u>\$ 3,752,044</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 259,699
Expenditures and Other Deductions	(141,079)
Total Increase in Net Assets	<u>\$ 118,620</u>

Pulaski Technical College Foundation, Inc. operates for the sole benefit of the UAPTC campuses. Audited financial statements for the year ended June 30, 2016, are presented below in summary form.

**PULASKI TECHNICAL COLLEGE FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2016**

Assets	
Cash and investments	\$ 1,714,663
Other assets	\$ 115,342
Total Assets	<u>\$ 1,830,005</u>
Liabilities and Net Assets	
Liabilities	\$ 4,302
Net Assets	<u>1,825,703</u>
Total Liabilities and Net Assets	<u>\$ 1,830,005</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2016**

Income and Other Additions	\$ 1,985,062
Expenditures and Other Deductions	<u>(1,417,125)</u>
Total Increase in Net Assets	<u>\$ 567,937</u>

University of Arkansas Winthrop Rockefeller Institute (prior to June 11, 2012, known as the University of Arkansas Winthrop Rockefeller Center d/b/a/ Winthrop Rockefeller Institute) is an educational conference center incorporated in January 2005. The Institute's mission is to provide extended learning for youth and adults and conferences focused on enriching and informing Arkansas leaders. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.



**UNIVERSITY OF ARKANSAS WINTHROP
ROCKEFELLER CENTER, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017**

Assets	
Cash and investments	\$ 3,405,852
Grant Receivable	5,150,000
Other	304,233
Property and Equipment, Net	14,880,159
Total Assets	<u>\$ 23,740,244</u>
Liabilities and Net Assets	
Liabilities	\$ 519,217
Net Assets	23,221,027
Total Liabilities and Net Assets	<u>\$ 23,740,244</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017**

Income and Other Additions	\$ 10,955,872
Expenditures and Other Deductions	(6,460,783)
Total Increase in Net Assets	<u>\$ 4,495,089</u>

Delta Student Housing, Inc. (Delta) is a nonprofit corporation organized in Arkansas. Delta was created for the purpose of facilitating the financing for construction of student housing facilities on the various campuses of the University. In the fiscal year ended June 30, 2010, the Arkansas School for Mathematics, Sciences and the Arts (ASMSA) received \$6,000,000 in American Recovery & Reinvestment Act funds through the State of Arkansas and \$1,000,000 from state general improvement funds to be used toward the construction of a new residence/student life facility. In addition, ASMSA had almost \$4,000,000 of reserve funds to be used for the project. By leveraging these available funds, a financing structure was developed using federal New Markets Tax Credits (NMTC) which made available almost \$15,000,000 to construct the facility. Construction of the facility was completed in the summer of 2012. The facility will be owned and managed by Delta until the completion of the NMTC compliance period of seven years, at which time the transaction will be unwound and the building will be owned by ASMSA through the Board of Trustees of the University. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.

DELTA STUDENT HOUSING, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017

Assets	
Cash	\$ 401,700
Property and equipment	12,021,603
Total Assets	<u>\$ 12,423,303</u>
Liabilities and Net Assets	
Liabilities	\$ 14,848,190
Net Assets	(2,424,887)
Total Liabilities and Net Assets	<u>\$ 12,423,303</u>

CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017

Income and Other Additions	\$ 249,402
Expenditures and Other Deductions	(697,504)
Total Decrease in Net Assets	<u>\$ (448,102)</u>

Note 17: Natural & Functional Classifications of Operating Expenses

Following is a reconciliation of the natural classifications as presented in the statement of revenues, expenses, and changes in net position to the functional classifications for fiscal year 2017.

Functional Classifications	Natural Classifications					
	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Insurance	Depreciation	TOTAL
Instruction	\$ 380,789,422	\$ 57,259,333	\$ -	\$ -	\$ -	\$ 438,048,755
Research	163,003,733	79,881,307	-	-	-	242,885,040
Public Service	84,411,310	43,781,906	-	-	-	128,193,216
Academic Support	87,891,941	37,499,956	-	-	-	125,391,897
Student Services	48,427,496	21,397,829	-	-	-	69,825,325
Institutional Support	198,302,884	46,139,179	-	-	-	244,442,063
Scholarships/Fellowship	118,509	106,725	65,334,993	-	-	65,560,227
Plant Operations	64,595,817	78,197,600	-	-	-	142,793,417
Auxiliary Enterprises	69,980,495	113,970,716	2,512,362	-	-	186,463,573
Depreciation	-	-	-	-	187,239,009	187,239,009
Patient Care	567,835,307	361,330,000	-	-	-	929,165,307
Other	3,233,000	12,243,000	-	-	-	15,476,000
Insurance expenses	-	-	-	161,001,798	-	161,001,798
TOTAL	<u>\$ 1,668,589,914</u>	<u>\$ 851,807,551</u>	<u>\$ 67,847,355</u>	<u>\$ 161,001,798</u>	<u>\$ 187,239,009</u>	<u>\$ 2,936,485,627</u>

Note 18: Contingencies

The University has been named as defendant in several lawsuits. It is the opinion of management and its legal counsel that these matters will be resolved without material adverse effect on the future operations or financial position of the University.

Immunity provisions in Arkansas law prohibit suits naming the Board of Trustees of the University of Arkansas System as a defendant in Arkansas State courts. Employees of UAMS acting in good faith in the course and scope of their employment may be sued in state courts, but only to the extent of maintained insurance coverage. UAMS maintains malpractice insurance for certain employees under a claims-made policy. Premiums are accrued based on estimated claims, with the final premium amount determined based on actual claims experience. The cost of this policy is included in supplies and other expenses. UAMS incurred costs of \$2,891,000 for this insurance during each of the year ended June 30, 2017 and 2016. A party may bring an action against the University through the Arkansas State Claims Commission (the Claims Commission). The Claims Commission may award a claim of up to \$15,000 without further review or appropriation. Awards that the Claims Commission approves in excess of \$15,000 must be approved and appropriated by the Arkansas State Legislature. Appropriations of this type, if any, reduce appropriations from the state to UAMS in the period in which the claim is appropriated.

In the fiscal year ended June 30, 2006, the Arkansas Development Finance Authority (the Authority) issued \$36,775,000 in Tobacco Settlement Revenue Bonds. The Authority made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center (ACRC) on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10% and principal and accumulated interest are payable beginning in 2021 through 2031 for \$22,158,000 of serial bonds and beginning in 2036 through 2046 for \$14,617,000 of term bonds.

Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and the Authority, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the debt service revenues are insufficient to make such payments. Management believes the debt service revenues will be sufficient to service the entire principal and interest due. The *Global Insights USA, Inc.* report, prepared in August 2006, on the *Forecast of U.S. Cigarette Consumption (2004-2046)* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received \$60,067,457 from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately \$27.6 million in 2046 with the first \$5 million dedicated to pay the debt service on this bond issue.

If debt service revenues had been considered insufficient at June 30, 2017, the University would have incurred a liability of \$63,194,000 related to issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest, and other expenses related to the issue. The revenues pledged by UAMS to secure the Loan Agreement consist of inpatient service fees and fees collected from other ancillary, therapeutic, and diagnostic services provided within the walls of the hospital but exclude physician-generated revenues, state appropriations, and revenues restricted for other purposes.

Note 19: Elimination of Inter-Company Transactions

The consolidated financial statements were prepared from financial statements submitted by each campus and the System Administration of the University. The inclusion of inter-company transactions in the consolidated financial statements is not considered materially significant to distort the amounts presented in the consolidated financial statements with the following exceptions, which were eliminated.

FY17 - Statement of Net Position

An elimination entry was made to reduce accounts receivable by \$15,492,177, which represent amounts owed by the campuses to the System Administration for insurance premiums and campus billings for services rendered, amounts owed between campuses, and interest due from a System Administration loan for eVersity from the campuses. Accounts payable was reduced by \$15,448,463, representing these billed amounts adjusted by cash in-transit within the system. Cash was increased by \$193,714 to account for payments in-transit within the system.

Three loans between University entities were eliminated to reduce assets and liabilities: (1) \$600,000 (current portion \$150,000) to reflect a loan to ASMSA by the System Administration; and (2) \$697,053 (current portion \$21,122) to reflect a loan from UAMS to UAF, and (3) \$4,975,498 to reflect a loan from the campuses to eVersity.

FY17 - Statement of Revenues, Expenses, and Changes in Net Position

As explained in Note 13, the System Administration administers the self-funded insurance programs for the University. Insurance premiums remitted to the System Administration by the campuses are shown as insurance revenues, and insurance claims paid are shown as insurance expenditures on the System Administration's financial statements. The premiums expensed by the campuses are recorded as part of compensation benefits. An elimination entry was made to reduce insurance revenue and compensation/benefits expenditures in the amount of \$129,580,546.

An elimination entry was made for billings by System Administration to the campuses for services rendered to reduce operating sales and services revenue and operating supplies/services expense in the amount of \$3,392,007. An elimination entry for services provided among campuses in the amount of \$1,480,201. These amounts decreased operating sales and services, other operating revenues and operating supplies/services.

An elimination entry for the System Administration's interest expense for a loan from the campuses was made to decrease other non-operating revenues (expenses) and investment income in the amount of \$36,280.

FY17 - Statement of Cash Flows

The effects of the elimination entries described above to the statement of net position and the statement of revenues, expenses and changes in net position are also reflected in the statement of cash flows.

Note 20: Disaggregation of Accounts Receivable and Accounts Payable

Current accounts receivable balances, net of allowances, at June 30, 2017, and June 30, 2016, as shown on the Statement of Net Position, consist of the following:

ACCOUNTS RECEIVABLE	June 30, 2017	June 30, 2016
Student accounts	\$ 16,768,714	\$ 18,720,830
Non-student accounts	30,596,348	48,733,055
Grants and contracts	60,984,055	27,674,033
Property and sales taxes	2,514,268	2,194,511
Other	737,358	428,643
Total	<u>\$ 111,600,743</u>	<u>\$ 97,751,072</u>

Current accounts payable balances at June 30, 2017, and June 30, 2016, as shown on the Statement of Net Position, consist of the following:

ACCOUNTS PAYABLE	June 30, 2017	June 30, 2016
Trade related	\$ 52,857,979	\$ 40,144,294
Payroll related	74,518,396	71,911,113
Interest	8,461,477	6,867,742
Other	36,430,748	25,759,713
Total	<u>\$ 172,268,600</u>	<u>\$ 144,682,862</u>

Note 21: Joint Endeavor

In 1987, the University of Arkansas and the City of Fayetteville engaged in a joint endeavor to operate the Walton Arts Center. Funds were pooled from each entity to provide for the construction and operation of the center. The University of Arkansas/City of Fayetteville Arts Foundation, Inc., now called the Walton Arts Center Foundation, Inc., was established to administer this project and its funds. Activities of the foundation were managed by nine directors - three appointed by the University, three by the City of Fayetteville, and three recommended by the Foundation that were approved by the mayor and chancellor.

The Walton Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities, including land, is held equally by the City and the University. The Arts Center Council was required to submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council was comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom served as volunteers.

On August 14, 2014, the governing documents establishing and defining the joint endeavor between the City of Fayetteville and the University of Arkansas to operate the Walton Arts Center were revised to ensure clarity and flexibility to allow the Walton Arts Center to meet the arts and entertainment needs of all residents of Northwest Arkansas with a multi-venue system, while at the same time confirming support of the original partnership. Revisions were made to the

respective Articles of Incorporation of the Walton Arts Center Foundation, Inc. and the Walton Arts Center Council, Inc. to clarify the purpose of each entity to encompass multiple venues in the Northwest Arkansas region; to allow the Walton Family Foundation to appoint nine additional directors to the Board of Directors of the Arts Center Council while ensuring that the City and University maintain their proportionate number of Directors on the Board; to return the City of Fayetteville's initial payment of \$1.5 million to the Foundation back to the City for the City's use in the construction of a parking facility adjacent to the Walton Arts Center or as otherwise determined by the Fayetteville City Council; and with consent by the University to expend the institution's initial payment of \$1.5 million to the Foundation to help defray the construction costs of the proposed enlargement and enhancement of the Walton Arts Center located in Fayetteville, Arkansas. To date, the University's funds placed in the endowment have not been spent. Accordingly, the relationship of the University and Walton Arts Center Foundation, Inc., remains unchanged. In the event the funds are expended, as provided in the revised agreement, the Walton Arts Center Foundation, Inc. would no longer be an agent for the University nor would the University have the right of appointment of Walton Arts Center Foundation, Inc. directors.

An Amended and Restated Interlocal Cooperation Agreement was also executed that permits the Walton Arts Center to conduct business as a separate, free-standing non-profit corporation; that budget and operational oversight rests exclusively with the Walton Arts Center Council and confirms the Walton Arts Center is no longer an agent of the University or the City, nor restricted to the terms of the original agreement; and affirms the Walton Arts Center must comply with the terms of a new lease agreement executed by the University, City of Fayetteville and the Walton Arts Center Council.

The lease agreement extends the term to twenty-five years and recognizes the changed scope of the Walton Arts Center. The lease also provides assurances regarding the on-going quality and type of performances at the Walton Arts Center in Fayetteville.

Note 22: Related Parties

The following are significant related party transactions other than those with component units discussed in Note 1.

For a portion of this fiscal year, the Bank Chairman of the privately-held First Security Bancorp, based in Searcy, Arkansas, was Chairman of the Board of Trustees of the University of Arkansas. At June 30, 2017, bank balances held at First Security Bank for UAF and UAMS totaled \$119,286,164 (book balances shown on the Statement of Net Position total \$114,191,874). The University has conducted business with the bank for several years. In addition, Crews and Associates, Inc. (Crews) is a wholly owned, non-bank affiliate of First Security Bancorp and has served as one of the University's bond underwriters for several years. In FY17, the Board of Trustees, with this member abstaining from the vote, approved the selection of Crews as co-underwriter for two bond issues for the Fayetteville campus in the amount of \$114,845,000.

The Vice Chancellor and Director of Athletics and the Dean of the School of Law on the Fayetteville campus are members of the Board of Directors of Arvest Bank Fayetteville, one of the community-oriented banks which comprise Arvest Bank Group, Inc., based in Bentonville,

Arkansas. At June 30, 2017, bank balances held for the Fayetteville campus at Arvest Bank Group, Inc. banks total \$58,133,337 (book balances shown on the Statement of Net Position for the campus total \$57,688,323).

Note 23: Prior Year Restatement

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position has been restated for the year ended June 30, 2016 to reflect a change in how certain revenues and expenses relating to Residence Life are reported. For the Fayetteville campus, Residence Life revenues were increased \$1,958,017 to capture room and board revenue from students who serve as Resident Assistants. Overall scholarship program expenses, comprised of scholarship allowance netted against revenue and scholarship expense were also restated, with the overall scholarship allowance increased by \$1,638,191 and scholarship and fellowship expense increased by \$319,826. The scholarship allowance for tuition and fees for Fayetteville decreased \$3,670,130 and bookstore by \$6,657, but was offset by the increase in the housing and food service allowance of \$5,314,978. A similar restatement for scholarship allowance for the year ended June 30, 2016 was made by the Pine Bluff campus with a decrease in the allowance for tuition and fees of \$4,671,398 and for Athletics of \$790,254. The offsetting increase in the scholarship allowance for housing and food service was \$5,461,652.

The Fayetteville campus also reevaluated how general student meal plan revenue and expenses are recognized. In past years, the funds collected from students for meal plans were passed through to the University's third party provider of campus dining services, with no revenue or expense recognized in the University's financial statements. Management has determined that revenue received from students for meal plans and the related expense to the third party provider should be reported. As a result, the Residence Life revenue has been increased for the year ended June 30, 2016 by \$18,868,980. Supplies and other services expense has been increased by the same amount. These restatements also affect the allocation of the Scholarship allowance, and adjust the amount netted against Student tuition and fees revenue, Residence Life revenue, and Bookstore revenue. Neither of the restatements discussed above had any effect on the Statement of Net Position. The Statement of Cash Flows was also restated to reflect the changes.

The Statement of Revenues, Expenses and Changes in Net Position has also been restated for the year ending June 30, 2016 to reflect a change in the classification of certain grants and contracts, patient services and other operating revenues for UAMS. Patient services revenue increased \$1,198,000, state and local grants and contracts decreased \$20,988,000, nongovernmental grants and contracts decreased \$15,420,000, and other operating revenues increased \$35,210,000. The Statement of Cash Flows was also restated to reflect the changes.

Note 24: Mergers

On February 1, 2017, Pulaski Technical College and Rich Mountain Community College merged with the University to become University of Arkansas-Pulaski Technical College (UAPTC) and University of Arkansas Community College at Rich Mountain (UACCRM). The University is the surviving legal institution and will continue to be governed by the laws of the State of Arkansas under the governance of the Board of Trustees of the University of Arkansas. The effective date of the mergers is July 1, 2016 for financial statement purposes and the restatement of net position.

As of July 1, 2016, UAPTC and the UACCRM has the following summarized assets, deferred outflows, liabilities, deferred inflows and net position.



PULASKI TECHNICAL COLLEGE
CONDENSED STATEMENT OF NET POSITION

As of June 30, 2016

Assets		
Cash and investments	\$	30,263,694
Receivables		1,018,541
Prepaid expense and other		1,570,834
Deposits and funds held in trust		5,650,723
Property and equipment		102,020,668
Total Assets	\$	<u>140,524,460</u>
Deferred Outflows of Resources	\$	<u>3,668,608</u>
Liabilities		
Accounts payable and accruals	\$	1,409,936
Other liabilities		411,273
Compensated absences		728,985
Other postemployment benefits		1,312,083
Net pension liability		11,168,749
Bonds, notes, and capital leases		88,922,511
Total Liabilities	\$	<u>103,953,537</u>
Deferred Inflows of Resources	\$	<u>1,745,866</u>
Net position		
Net investment in capital assets	\$	14,198,314
Restricted-expendable		8,281,571
Unrestricted		16,013,780
Total Net Position	\$	<u>38,493,665</u>

CONDENSED STATEMENT OF REVENUES AND EXPENSES

FY Ended June 30, 2016

Operating loss		
Operating revenues	\$	15,532,751
Operating expenses		<u>(49,558,140)</u>
Operating loss		(34,025,389)
Non operating revenues (expenses)		
State appropriations		17,411,209
Federal and state grants		20,762,047
Interest on capital asset debt		(3,381,482)
Other, net		<u>(152,954)</u>
Net nonoperating revenues		<u>34,638,820</u>
Income before other revenues		613,431
Capital grants and gifts		<u>328,220</u>
Increase in Net Position	\$	<u>941,651</u>

RICH MOUNTAIN COMMUNITY COLLEGE
CONDENSED STATEMENT OF NET POSITION
As of June 30, 2016

Assets		
Cash and investments	\$	4,507,989
Receivables		512,340
Prepaid expense and other		275,862
Deposits and funds held in trust		173,150
Property and equipment		11,368,258
Total Assets	\$	<u>16,837,599</u>
Deferred Outflows of Resources	\$	<u>562,554</u>
Liabilities		
Accounts payable and accruals	\$	108,662
Other liabilities		168,056
Compensated absences		215,515
Other postemployment benefits		570,345
Net pension liability		1,988,568
Bonds, notes, and capital leases		6,174,938
Total Liabilities	\$	<u>9,226,084</u>
Deferred Inflows of Resources	\$	<u>346,192</u>
Net position		
Net investment in capital assets	\$	5,265,223
Restricted-expendable		77,634
Unrestricted		2,485,020
Total Net Position	\$	<u>7,827,877</u>

CONDENSED STATEMENT OF REVENUES AND EXPENSES
FY Ended June 30, 2016

Operating loss		
Operating revenues	\$	4,227,172
Operating expenses		<u>(10,194,159)</u>
Operating loss		(5,966,987)
Non operating revenues (expenses)		
State appropriations		3,412,013
Property taxes		409,880
Federal and state grants		1,511,808
Interest on capital asset debt		(222,661)
Other, net		8,134
Net nonoperating revenues		<u>5,119,174</u>
Loss before other revenues		(847,813)
Capital appropriations		12,500
Decrease in Net Position	\$	<u>(835,313)</u>

Note 25: Pollution Remediation

The Fayetteville campus completed a study in 2012, funded by a \$1,889,647 award from the United States Department of Energy (DOE), to develop a plan for remediation of the Southwest Experimental Fast Oxide Reactor (SEFOR) site. This study developed an estimate for future remediation costs and assessed the university's obligation for remediation at the site. The cost estimate was \$26.1 million to complete remediation of the site. Although the study concluded that the University was under no obligation to begin remediation work at that time, the study was considered Phase 1 of the voluntary remediation of the SEFOR site. During 2014, DOE appropriated an additional \$1 million to review estimated remediation costs. Of that award, \$968,500 was made available to the university in the 2017 funding obligation.

During fiscal year 2017, the Fayetteville campus received an additional DOE award totaling \$9,500,000. This award, combined with the residual left from the 2014 appropriation, brought total funds available for remediation costs to \$10,468,500. The Fayetteville campus began Phase 2 of the voluntary remediation by entering into a contract with EnergySolutions, LLC on November 7, 2016 to provide technical services for deconstruction and green fielding of the site. Total estimated cost of the Phase 2 voluntary remediation project was \$9,648,242. Expenses incurred during fiscal year 2017 totaled \$7,276,379. The remaining project costs to complete Phase 2, totaling \$2,371,863, were accrued and are included in accounts payable reported on the Statement of Net Position. All project costs were funded by the DOE award on a cost reimbursement basis. Drawdowns during fiscal year 2017 totaled \$6,276,599. A receivable of \$3,371,643, reflecting amounts that have not yet been invoiced to the DOE award, was also established, and is included in the accounts receivable reported on the Statement of Net Position.

The Fayetteville campus expects to continue remediation of the SEFOR site on a voluntary basis in Phases as funding becomes available. The Fayetteville campus received notice in July 2017 that an additional \$5.5 million was authorized by the DOE to continue remediation of the SEFOR site. The entire award has been obligated with funding available for spending. The Fayetteville campus entered into a Phase 3 voluntary remediation project with a Firm-Fixed Price not to exceed \$4,800,000 on September 20, 2017.

Note 26: Subsequent Events**Long-Term Debt*****Fayetteville Campus***

On August 1, 2017, the University closed the Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Series 2017 with a par amount of \$95,805,000. The bonds provide resources for the purpose of constructing, reconstructing, enlarging and repairing additional facilities including particularly improvements to and expansion of the Pat Walker Health Center, utility systems on the south side of campus, intramural sports fields and Kimpel Hall; and construction of an offsite library storage facility, student housing facilities, the Civil Engineering Research and Education Center and a black box theater. The bonds will also provide funds to conduct design studies for the renovation of Mullins Library and for construction of a student success center.

Little Rock Campus

On September 19, 2017, the University closed the Board of Trustees of the University of Arkansas Student Fee Revenue Bonds (Little Rock Campus), Series 2017 with a par amount of \$6,510,000. The bonds provide resources for the purpose of constructing, renovating, equipping and furnishing the Physics Building, infrastructure upgrades, roof repairs to the Donaghey Student Center, and other critical maintenance needs.

Gifts

Fayetteville Campus

On September 6, 2017, the University received a \$120 million gift from the Walton Family Charitable Support Foundation to establish the School of Art. The school, to be housed within the J. William Fulbright College of Arts and Sciences, will be the first and only accredited, collegiate school of art in Arkansas, and will focus on art education, art history, graphic design and studio art curriculum.

Transfer of Assets

Arkansas School for Mathematics, Sciences and the Arts

On November 9, 2017, the Board of Trustees of the University of Arkansas approved the forgiveness of indebtedness of Delta Student Housing, Inc. (“Delta”), the termination of the sublease and ground lease with Delta, and acceptance of the facilities and facility equipment from Delta. At June 30, 2017, the indebtedness totaled \$10,972,265 and the depreciated value of the facilities and facility equipment totaled \$12,021,603.



**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2017
REQUIRED SUPPLEMENTARY INFORMATION**

Employee Benefits

Schedule of University's Proportional Share of the Net Pension Liability Arkansas Public Employees Retirement System Last Three Fiscal Years*			
	2017	2016	2015
University's proportion of net pension liability	2.202%	1.659%	1.462%
University's proportionate share of net pension liability	\$ 52,660,632	\$ 30,550,726	\$ 20,737,110
University's covered payroll**	\$ 39,968,417	\$ 29,241,762	\$ 24,610,760
University's proportionate share of the net pension liability as a percentage of its covered payroll	131.76%	104.48%	84.26%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	80.39%	84.15%
The amounts presented for each fiscal year were determined as of June 30 of the previous year.			
*Information is presented for those years for which it is available until a full 10-year trend is compiled.			
**Includes Pulaski Technical College and Rich Mountain Community College for FY17.			

Schedule of University Contributions Arkansas Public Employees Retirement System Last Three Fiscal Years*			
	2017	2016	2015
Contractually required contribution	\$ 5,847,656	\$ 5,122,338	\$ 4,316,084
Contributions in relation to the contractually required contribution	(5,847,656)	(5,122,338)	(4,316,084)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered payroll	\$ 40,658,901	\$ 35,350,993	\$ 29,241,762
Contributions as a percentage of covered payroll	14.38%	14.49%	14.76%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.			

Schedule of University's Proportional Share of the Net Pension Liability Arkansas Teacher Retirement System Last Three Fiscal Years*			
	2017	2016	2015
University's proportion of net pension liability	0.589%	0.395%	0.437%
University's proportionate share of net pension liability	\$ 26,000,421	\$ 12,850,498	\$ 11,467,444
University's covered payroll**	\$ 17,474,936	\$ 11,516,407	\$ 11,527,065
University's proportionate share of the net pension liability as a percentage of its covered payroll	148.79%	111.58%	99.48%
Plan fiduciary net position as a percentage of the total pension liability	76.75%	82.20%	84.98%
The amounts presented for each fiscal year were determined as of June 30 of the previous year.			
*Information is presented for those years for which it is available until a full 10-year trend is compiled.			
**Includes Pulaski Technical College and Rich Mountain Community College for FY17.			

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2017
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of University Contributions Arkansas Teacher Retirement System Last Three Fiscal Years*			
	2017	2016	2015
Contractually required contribution	\$ 2,210,329	\$ 1,448,084	\$ 1,612,297
Contributions in relation to the contractually required contribution	(2,210,329)	(1,448,084)	(1,612,297)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered payroll	15,932,158	10,392,131	11,516,407
Contributions as a percentage of covered payroll	13.87%	13.93%	14.00%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.			

Other Postemployment Benefits

University of Arkansas System

General Overview of the Valuation Methodology

The process of determining the liability for retiree medical benefits is based on many assumptions about future events. Future increases in health care costs are affected by many factors, including: medical inflation; change in utilization patterns; technological advances; cost shifting; cost leveraging; and changes to government medical programs, such as Medicare.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods since the Prior Valuation:

The claim costs and trends were updated to reflect changes in benefits and experience and expectations for the future costs. Also, the initial retiree contribution was adjusted to reflect current contribution rates.

The election percentage for CCCUA, UACCM, UACCH and UAFS was changed to 55% of all active employees are assumed to elect coverage at retirement.

This report does not reflect future changes in benefits, penalties, taxes (including future excise taxes), or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations. It does reflect all ACA costs to date such as Patient-Center Outcomes Research Institute (PCORI) fees.

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2017
REQUIRED SUPPLEMENTARY INFORMATION**

Medical Coverage – Retirees not Eligible for Medicare:

The claims costs were developed from the active premium rates for the period July 1, 2017 to June 30, 2018 loaded for 1% to reflect that premiums are set about 1% below expected costs. 70.3% of the premium was assumed to be for medical, 23.0% for pharmacy, and 6.8% for expenses. The claim and expense costs were trended back to the period July 1, 2016 to June 30, 2017 using an annual trend assumption of 0.0% for medical, 9.5% for pharmacy, and 3% expenses.

Dental Coverage:

The dental rates are set to match projected costs. Based on a comparison of the recent dental claims plus fees, the dental rates are set at a level sufficient to cover projected costs. Retirees pay 100% of the budget rate for coverage. Therefore, the cost for dental coverage was excluded from this valuation.

Determination of FY17 Accrual

Unfunded actuarial accrued liability at 7-1-16	<u>\$ 57,432,000</u>
Annual Required Contribution (ARC)	
Normal cost	\$ 3,411,000
Amortization of the unfunded actuarial accrued liability over 30 years	1,914,000
Interest	<u>213,000</u>
Annual Required Contribution for FY17	5,538,000
Interest on Net OPEB Obligation	2,511,000
ARC Amortization Adjustment	<u>(2,176,000)</u>
Annual OPEB Cost for FY17	<u>\$ 5,873,000</u>
 Net OPEB Obligation, 7-1-16	 \$ 62,779,000
Annual OPEB Cost for FY17	5,873,000
Less: Expected Employer Contributions	<u>(1,976,000)</u>
 Net OPEB Obligation, 6-30-17	 <u>\$ 66,676,000</u>



**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2017
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution (ARC)	Annual Required Contribution (AOC)	Benefit Pymts During FY	Percentage Contributed	Net Obligation at Year-End
6-30-10	\$ 6,863,000	\$ 7,061,000	\$ 1,984,000	28.10%	\$ 30,808,000
6-30-11	5,960,000	6,197,000	1,674,000	27.01%	35,331,000
6-30-12	6,461,000	6,732,000	1,636,000	24.30%	40,427,000
6-30-13	6,069,000	6,379,000	2,016,000	31.60%	44,790,000
6-30-14	5,160,000	5,505,000	1,496,000	27.18%	49,064,000
6-30-15	7,681,000	8,059,000	2,156,000	26.75%	56,025,000
6-30-16	8,648,000	9,079,000	2,325,000	25.61%	62,779,000
6-30-17	5,538,000	5,873,000	1,976,000	33.65%	66,676,000

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-10	\$ -	\$ 66,620,000	\$ 66,620,000	0%	\$ 952,170,000	7.00%
6-30-11	-	58,439,000	58,439,000	0%	977,592,000	5.98%
6-30-12	-	63,292,000	63,292,000	0%	1,042,067,000	6.07%
6-30-13	-	58,874,000	58,874,000	0%	1,072,222,000	5.49%
6-30-14	-	52,311,000	52,311,000	0%	1,103,764,000	4.74%
6-30-15	-	72,780,000	72,780,000	0%	1,127,553,000	6.45%
6-30-16	-	82,402,000	82,402,000	0%	1,167,667,000	7.06%
6-30-17	-	57,432,000	57,432,000	0%	1,298,871,000	4.42%



**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2017
REQUIRED SUPPLEMENTARY INFORMATION**

Pulaski Technical College

Determination of FY17 Accrual

Unfunded actuarial accrued liability at 7-1-16	\$ 1,266,000
Annual Required Contribution (ARC)	
Normal cost	\$ 105,000
Amortization of the unfunded actuarial accrued liability over 30 years	45,000
Interest	-
Annual Required Contribution for FY17	150,000
Interest on Net OPEB Obligation	46,000
ARC Amortization Adjustment	(47,000)
Annual OPEB Cost for FY17	\$ 149,000
Net OPEB Obligation, 7-1-16	\$ 1,312,000
Annual OPEB Cost for FY17	149,000
Less: Actual Employer Contributions	(86,000)
Net OPEB Obligation, 6-30-17	\$ 1,375,000

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-09	\$ 116,000	\$ 5,000	4.31%	\$ 221,000
6-30-10	161,000	5,000	3.11%	377,000
6-30-11	163,000	5,000	3.07%	535,000
6-30-12	153,000	9,000	5.88%	679,000
6-30-13	155,000	12,000	7.74%	822,000
6-30-14	173,000	18,000	10.40%	977,000
6-30-15	173,000	44,000	25.43%	1,106,000
6-30-16	265,000	59,000	22.26%	1,312,000
6-30-17	149,000	86,000	57.72%	1,375,000

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-10	\$ -	\$ 776,000	\$ 776,000	0%	\$ 15,148,000	5.12%
6-30-12	-	741,000	741,000	0%	19,585,000	3.78%
6-30-14	-	883,000	883,000	0%	20,784,000	4.25%
6-30-16	-	1,759,000	1,759,000	0%	18,055,000	9.74%
6-30-17	-	1,266,000	1,266,000	0%	18,124,000	6.99%

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2017
REQUIRED SUPPLEMENTARY INFORMATION**

Rich Mountain Community College (UACCRM)

Changes in Actuarial Assumptions and Methods since the Prior Valuation:

The assumed discount rate was lowered from 4.75% (7/1/13 valuation) to 4.5%. This change increased the Unfunded Actuarial Accrued Liability at July 1, 2016, by \$18,000, and the ARC and Annual OPEB cost for 2016-2017 by \$2,000.

The assumed life expectancy was changed from the 1994 UP Table to the RP-2014 Table. This change increased the Unfunded Actuarial Accrued Liability at July 1, 2016, by \$11,000, and the ARC and Annual OPEB cost for 2016-2017 by \$2,000.

Determination of FY17 Accrual

Unfunded actuarial accrued liability at 7-1-16	\$ 750,000
Annual Required Contribution (ARC)	
Normal cost	\$ 66,000
Amortization of the unfunded actuarial accrued liability over 30 years	44,000
Interest	5,000
Annual Required Contribution for FY17	115,000
Interest on Net OPEB Obligation	26,000
ARC Amortization Adjustment	(35,000)
Annual OPEB Cost for FY17	\$ 106,000
Net OPEB Obligation, 7-1-16	\$ 570,000
Annual OPEB Cost for FY17	106,000
Less: Expected Actual Contributions	(46,000)
Net OPEB Obligation, 6-30-17	\$ 630,000

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-10	\$ 119,000	\$ 59,000	49.58%	\$ 189,000
6-30-11	97,000	41,000	42.27%	245,000
6-30-12	98,000	45,000	45.92%	298,000
6-30-13	98,000	48,000	48.98%	348,000
6-30-14	99,000	25,000	25.25%	422,000
6-30-15	100,000	25,000	25.00%	497,000
6-30-16	99,000	26,000	26.26%	570,000
6-30-17	106,000	46,000	43.40%	630,000

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-11	\$ -	\$ 661,000	\$ 661,000	0%	\$ 3,956,000	16.71%
6-30-14	-	688,000	688,000	0%	3,934,000	17.49%
6-30-17	-	750,000	750,000	0%	3,441,000	21.80%

The University of Arkansas System is a comprehensive, publicly-supported higher education system composed of unique institutions, units and divisions that share the singular goal of serving Arkansas residents and others by developing and sharing knowledge to impact an ever changing world. The System provides access to academic and professional education, and develops intellectual growth and cultural awareness in its students, staff and faculty. The System further promotes an atmosphere of excellence that honors the heritage and diversity of our state and nation, and provides students, researchers and professionals with tools to promote responsible stewardship of human, natural and financial resources at home and abroad.

Enrollment listed by campus are the preliminary official 11th-day headcounts as provided in September 2017 to the Arkansas Department of Higher Education for Fall 2017.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Established: 1871

Enrollment: 27,558

www.uark.edu

Founded in 1871, the University of Arkansas, Fayetteville (UAF) is the flagship institution of the University of Arkansas System. UAF is the state's foremost partner, resource and catalyst for education and economic development and is a university for the integration of student engagement, scholarship, research and innovation that collectively transforms lives and inspires leadership for a global society.

As Arkansas's first land-grant university, UAF has a mandate to teach, conduct research and perform outreach. The university offers baccalaureate, master's, doctoral, professional and specialist degree programs, including a Juris Doctor degree and an LL.M. in Agriculture and Food Law. The Carnegie Foundation for the Advancement of Teaching places UAF in its highest category for research activity, a classification shared by only two percent of universities nationwide. Research activity is a significant academic element at the university and an economic engine for the state.

UNIVERSITY OF ARKANSAS AT FORT SMITH

Established: 1928

Joined System: 2002

Enrollment: 6,637

www.uafs.edu

The University of Arkansas at Fort Smith (UAFS) was created in 1928 in response to the need to establish an institution of higher education to improve the local workforce. UAFS continues that tradition today as the premiere regional institution for western Arkansas, with a mission to connect education with careers and a focus on preparing students to succeed in an ever-changing global world while advancing economic development and quality of place.

As one of the leading workforce development universities in Arkansas, UAFS prides itself on crafting curricula that respond to the needs of local and regional business and industry, as well as healthcare, educational and social services organizations. Small class sizes, attentive professors, and hands-on learning opportunities produce graduates that are recognized throughout the region and the state for their job readiness in high-demand career fields.

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Established: 1927

Joined system: 1969

Enrollment: 11,625

www.ualr.edu

The University of Arkansas at Little Rock (UALR), located in the state's capital city, offers a comprehensive academic experience at the baccalaureate, master's and doctoral levels; innovative research opportunities; a quality faculty educated from around the world; and a rich student life experience with athletics, housing, study abroad, Greek life and service learning.

From high school students and traditional residential and graduate degree seekers, to mid-life adults and senior citizens, UALR fulfills one of the state's greatest needs by educating more college graduates. UALR's faculty and staff in programs such as the Academic Success Center and the Mentoring Network provide students with extra help to be successful.

UALR has been selected by the Carnegie Foundation for the Advancement of Teaching for the Community Engagement classification – the only institution in Arkansas in this category. The university is widely recognized for its involvement in community issues such as race and ethnicity, criminal justice and pre-kindergarten to 12th grade education. UALR students, faculty and staff are actively involved in service-learning activities around the state through partnerships with the Clinton School of Public Service and the Shepherd Higher Education Consortium on Poverty.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Established: 1879

Enrollment: 2,834

www.uams.edu and www.uamshealth.com

The University of Arkansas for Medical Sciences (UAMS) is the only academic health sciences university in Arkansas. It is the state's largest public employer with more than 10,000 employees in 73 of the state's 75 counties. Clinical affiliates include Arkansas Children's Hospital and the Central Arkansas Veterans Healthcare System.

With its combination of education, research and clinical programs, UAMS has a unique capacity to lead health care improvement in the state. Its assets include The University Hospital of Arkansas, regional programs (including Tele-education, Rural Hospital Program, and Area Health Education Centers located throughout the state), the Translational Research Institute, the Winthrop P. Rockefeller Cancer Institute, the Jackson T. Stephens Spine & Neurosciences Institute, the

Donald W. Reynolds Institute on Aging, the Harvey & Bernice Jones Eye institute, the Psychiatric Research Institute and the Myeloma Institute for Research & Therapy.

UNIVERSITY OF ARKANSAS AT MONTICELLO

Established: 1909

Joined System: 1971

Enrollment: 3,533

www.uamont.edu

Founded in 1909 as the Fourth District Agricultural School, the University of Arkansas at Monticello (UAM) is one of the region's few remaining open access universities. Serving southeast Arkansas, UAM offers 30 baccalaureate and seven master's degree programs. Additionally, the university offers eight two-year associate degrees, 16 technical certificates and 14 certificates of proficiency through its College of Technology in Crossett and McGehee.

UAM has established a reputation for academic excellence in areas such as forestry, nursing, teacher education, pre-medicine, health-related sciences, business and social sciences. The university is home to the Arkansas Forest Resources Center, which brings together interdisciplinary expertise from across the University System. In recent years, UAM has added new opportunities to its curriculum, including popular programs in social work and criminal justice, a fast-track master's degree program to place more teachers in the classroom, online master's degree programs in coaching, education, educational leadership and creative writing and a low residency master of music in jazz studies.

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Established: 1873

Joined System: 1972

Enrollment: 2,658

www.uapb.edu

An 1890 land-grant institution, the University of Arkansas at Pine Bluff (UAPB) is the second-oldest university and the only public historically black university in Arkansas. The institution's historic mission is to teach in areas related to agriculture and the mechanical arts, as well as scientific and classical studies and help solve economic, agricultural and other problems in the community, state and region.

UAPB offers 30 undergraduate programs, eight master's degree, and a PhD program in Aquaculture/Fisheries, one of the country's leading programs that also supports Arkansas's \$165 million aquaculture and baitfish industry. The university's bachelor degree program in regulatory science is a designated Center of Excellence by the U.S. Department of Agriculture. Other areas of emphasis at UAPB include teacher education, business development and student leadership development and its NSF funded Science, Technology, Engineering and Math (STEM) Academy.

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1975
Joined System: 2001
Enrollment: 1,485
www.cccua.edu

Cossatot Community College of the University of Arkansas (CCCUA) is located in De Queen with classroom sites in Nashville, Ashdown, Lockesburg, Dierks and Foreman. The college offers both technical certification and associate's degrees and collaborates with other colleges and universities to offer bachelor's and master's degrees. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, CCCUA is the only community college in the state supported by sales taxes in three separate counties and one city, and has the highest percentage of Hispanic students in Arkansas.

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1964
Joined system: 1996
Enrollment: 1,648
www.pccua.edu

The first community college established in Arkansas, Phillips Community College of the University of Arkansas (PCCUA) is a multi-campus, two-year college serving Eastern Arkansas. Students are offered academic, occupational/technical and continuing education programs. PCCUA has campuses in DeWitt, Helena-W. Helena and Stuttgart.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Established: 1975
Joined System: 1997
Enrollment: 1,241
www.uaccb.edu

The University of Arkansas Community College at Batesville (UACCB) serves a multi-county area in north central Arkansas, offering associate degrees, technical certificates, certificates of proficiency, adult education (GED and ESL) and kids' college. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the campus has expanded program offerings and student services in order to meet its student-focused mission. Supported by an Independence County sales tax, UACCB provides affordable access to technical education and college transfer programs that meet the diverse higher education needs of the citizens of northeast Arkansas.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Year Established: 1965

Joined System: 1996

Enrollment: 1,543

www.uacch.edu

Serving Southwest Arkansas, the University of Arkansas Community College at Hope (UACCH) offers the first two years of a traditional college education transferable to a four-year university, as well as an array of certificate programs to prepare students for an ever-changing workforce. UACCH is an accredited, open-access institution that connects students and community partners to quality education and supports a culture of academic, occupational, personal growth and enrichment programs throughout Southwest Arkansas. UACCH is supported by a Hempstead County sales tax.

With the opening of UACCH-Texarkana Instructional Facility in 2012, UACCH became better prepared to be a regional contributor to the educational needs of southwest Arkansas, and has enabled the College to expand programs in both the technical and industrial areas, as well as the health professions. Through a partnership with the University of Arkansas at Little Rock (UALR), students are able to complete bachelor degrees.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Established: 1961

Joined system: 2001

Enrollment: 1,925

www.uaccm.edu

Originally established as a technical college, the University of Arkansas Community College at Morrilton (UACCM) is a two-year institution offering university-transfer and career-specific training programs, adult education, workforce education and community outreach programs. UACCM offers an associate of arts and an associate of science degrees designed for university transfer, as well as associate of applied science degrees, technical certificates and certificates of proficiency designed for immediate entry into the job market. UACCM is supported by a Conway County sales tax.

UACCM has university partnerships to allow completion of bachelor's degrees with students taking most of their classes on the campus or online.

UNIVERSITY OF ARKANSAS PULASKI TECHNICAL COLLEGE

Established: 1945

Joined system: 2017

Enrollment: 6,044

www.pulaskitech.edu

The University of Arkansas Pulaski Technical College (UAPTC) is a two-year technical college based in North Little Rock with a mission to serve its community's education needs through technical programs, university-based transfer programs and specialized programs for business and industry. Originally founded as a vocational-technical school, UAPTC has evolved through the years to meet the varying education needs of the citizens of Central Arkansas. In addition to its main campus in North Little Rock, the college has locations across Pulaski and Saline Counties.

UAPTC has university partnerships to allow completion of bachelor's degrees with students taking most of their classes on the campus or online.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT RICH MOUNTAIN

Established: 1983

Joined system: 2017

Enrollment: 937

www.uarichmountain.edu

The University of Arkansas Community College at Rich Mountain (UACCRM), based in Mena, is a comprehensive, learning-centered community college providing a range of programs including transfer and technical degrees, workforce development and adult education, among others. Through its main campus and satellite location in Waldron, UACCRM serves the Ouachita Mountain Region with exemplary educational and enrichment opportunities to improve quality of life and economic advancement.

ARKANSAS SCHOOL FOR MATHEMATICS, SCIENCES AND THE ARTS

Established: 1993

Joined System: 2004

asmsa.org

The Arkansas School for Mathematics, Sciences and the Arts (ASMSA) is the state's premier high school focusing on excellence in mathematics, science and the arts. Located in Hot Springs, ASMSA is one of sixteen public residential high schools in the country specializing in the education of gifted and talented students who have an interest and aptitude for mathematics and science. All classes are taught at the college level, and the school offers nearly 60 concurrent courses. Through the school's "college bridge" program, ASMSA graduates average 50 hours of college credit while finishing high school.

Beyond the residential experience, ASMSA's outreach programs provide Saturday enrichment opportunities for motivated middle and early high school students. Digital learning programs like the Global Languages and Shared Societies (GLASS) Initiative and Arkansas STEM Pathways provide online instruction for students whose local school districts lack the resources for advanced instruction.

UNIVERSITY OF ARKANSAS CLINTON SCHOOL OF PUBLIC SERVICE

Established: 2004

www.clintonschool.uasys.edu

Located on the grounds of the William J. Clinton Presidential Center and Park in Little Rock, the University of Arkansas Clinton School of Public Service is the first graduate school in the nation to offer a Master of Public Service (MPS) degree, helping students further their careers in the areas of government, non-profit, volunteer and private sector service. As part of the school's unique curriculum, students complete hands-on public service projects, including local work in Arkansas communities and international projects across the world. The school also hosts a renowned public lecture series, featuring leaders in government, politics, foreign policy, journalism and philanthropy.

The model is unique in higher education because most of the school's financial investment is in scholarship and service and not in infrastructure and overhead. Little Rock's River Market serves as its student union. The Central Arkansas Main Library is the school library. When there is a need for auditorium space, the school accesses the Clinton Library, the Statehouse Convention Center or the Ron Robinson Theater--all of which are in walking distance.

The school's curriculum is enhanced with a national and international speaker series (www.clintonschoolspeakers.com) which brings in leaders and scholars from the arts, business, education, government, international development, nonprofits, philanthropy and public service and are free and open to the public. The speakers have included United States presidents and ambassadors, Pulitzer Prize recipients, and Nobel Prize winners.

DIVISION OF AGRICULTURE

Established: 1959

www.division.uaex.edu

The University of Arkansas Division of Agriculture is the statewide research and extension agency serving Arkansas agriculture, communities, families and youth. The mission of the division is to discover new knowledge, incorporate it into practical applications and assist Arkansans in its application. The division is comprised of two principal units: the Agriculture Experiment Station and the Cooperative Extension Service. Division faculty and facilities are located on several university campuses, at regional research and extension centers, branch stations and other locations. An extension office is located in each county in cooperation with county governments.

The Division of Agriculture has earned patents in a variety of research programs in food science, biological and agricultural engineering, poultry science, crop, soil, and environmental sciences, and the Rice Research and Extension Center. Volunteers are an extremely important component of delivering Extension programs, particularly in 4-H, Extension Homemakers and Master Gardeners.

ARKANSAS ARCHEOLOGICAL SURVEY

Established: 1967

www.uark.edu/campus-resources/archinfo/

The mission of the Arkansas Archeological Survey is to study and protect the 13,000-year archeological heritage of Arkansas, to preserve and manage information and collections from archeological sites, and to communicate what is learned to the people of the state. The survey has research stations across the state, each with a full-time Ph.D. archeologist associated with regional higher education institutions and state parks. The archeologists conduct research, assist other state and federal agencies to help promote the economic importance of the state's heritage resources, and are available to local officials, landowners, educators and students, and citizens in need of information about archeology or archeological sites.

Arkansas Archeological Survey databases contain information on more than 48,000 archeological sites and 8,000 projects, available to qualified professional archeologists at state and federal agencies, colleges and universities, and federally recognized tribes. The Survey's curation facility, managed jointly with the University of Arkansas Museum, provides a secure, state-of-the-art home for both Survey and University artifact collections. Students and teachers across Arkansas use the Survey's educational websites to learn about our state's prehistoric and historic cultural heritage.

CRIMINAL JUSTICE INSTITUTE

Established: 1988

www.cji.edu

The Criminal Justice Institute (CJI) is a campus of the University of Arkansas System that serves a unique population of non-traditional students—certified law enforcement professionals who are actively employed within the state's law enforcement organizations. The Institute is committed to making communities safer by supporting law enforcement professionals through training, education, resources and collaborative partnerships.

Utilizing both online learning opportunities and classroom-based instruction, CJI provides an educational experience designed to enhance the performance and professionalism of law enforcement in progressive areas of policing, including law enforcement leadership and management, forensic sciences, computer technologies and related crimes, traffic safety, illicit drug investigations and school safety. In addition, the Institute develops and delivers curriculum in cyberterrorism and sexual assault management and investigation through the National Center for Rural Law Enforcement (NCRLE), a division of CJI committed to helping rural law enforcement agencies effectively combat crime in their communities.

UNIVERSITY OF ARKANSAS SYSTEM *e*VERSITY

Established: 2014

<http://eversity.uasys.edu>

The University of Arkansas System *e*Versity is a one-hundred percent online institution created by the UA Board of Trustees in March 2014 to serve students who are unable to access traditional higher education campuses. The core principles of the institution include providing high-quality courses, affordable tuition and workforce-relevant degree programs, along with promoting student success in programs. *e*Versity began offering classes in partnership with existing UA System institutions in the spring of 2016.

Faculty from across the UA System develop and deliver rigorous certificate and degree programs that utilize rich data analytics to enhance student success and achievement.

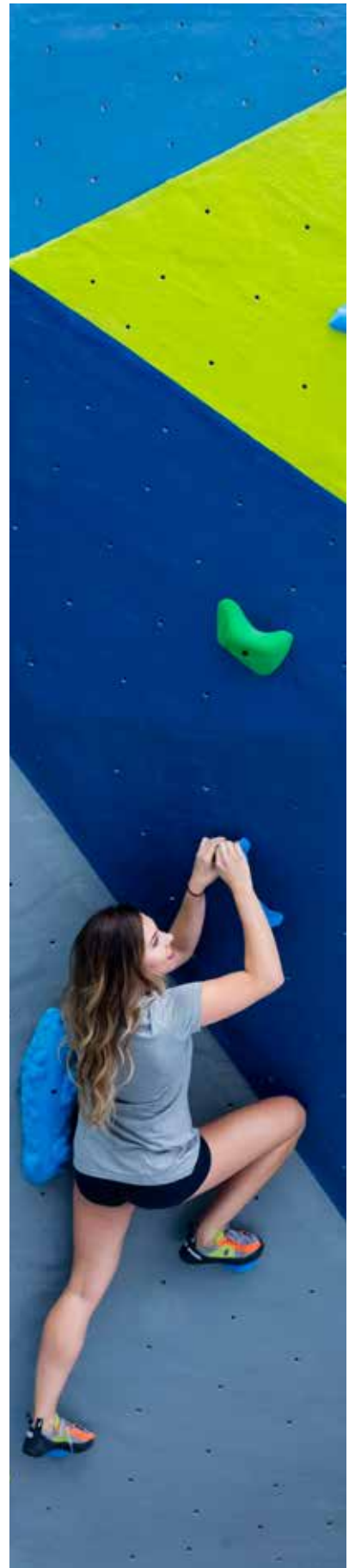
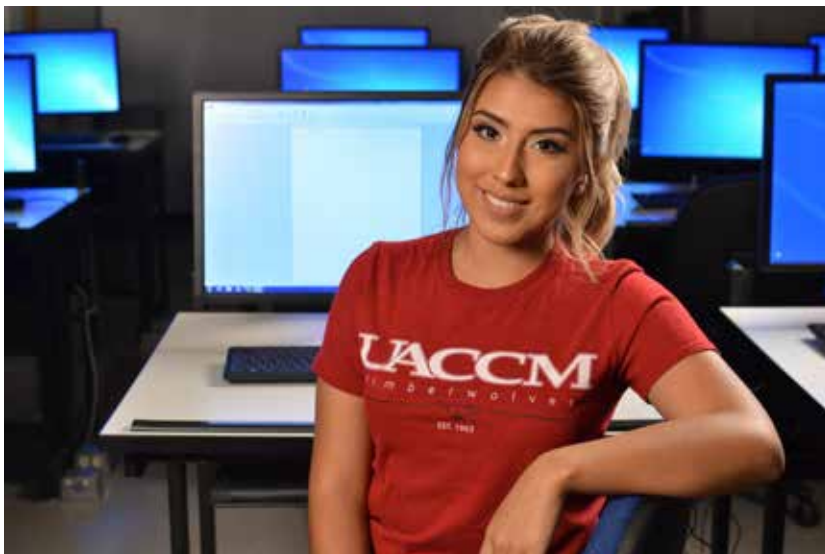
UNIVERSITY OF ARKANSAS SYSTEM

www.uasys.edu

The System administration carries out the governance and administration of the University of Arkansas System in accordance with policies of the Board and the President.

The System administration includes the activities that further efforts to meet the goals of the strategic plan for the UA System and to achieve the comprehensive mission of the UA System. In this capacity, the System Office provides the oversight and development of policies and procedures to assist the campuses and units; provides oversight of the preparation of annual operating budgets and financial reports to the Board; prepares the consolidated annual financial statements; administers a program of employee benefits and risk management; provides legal advice and representation; provides internal audits and risk assessments of the fiscal operations of the campuses and entities; and coordinates public relations, media and governmental relations activities on behalf of the System, campuses and entities. The System Office further provides administrative staff support for the Board and President.

Academic Affairs/E-learning advises and assists the institutions to provide academic support services to the campuses concerning academic coursework, student success initiatives, and professional development support for faculty; coordinate and support online learning initiatives; and track appropriate and effective quality enhancement measures. Academic Affairs provides leadership and guidance to assist campuses and entities to meet statewide goals in student retention and graduation.



UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Joseph E. Steinmetz, *Chancellor*
Tim O'Donnell, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS AT FORT SMITH

Paul Beran, *Chancellor*
Brad Sheriff, *Vice Chancellor for Finance*

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Andrew Rogerson, *Chancellor*
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